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This volume incorporates two reports, commissioned from ACIL Tasman and Colmar Brunton Social Research, respectively.
Accommodation, Cafés and Restaurants Industry Profile

ACIL Tasman
September 2008
Colmar Brunton Social Research
August 2008

Report commissioned by the Australian Fair Pay Commission, 2008
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1. Accommodation, cafés and restaurants industry profile – quantitative overview

ACIL Tasman
September 2008
1.1 Executive summary

This report provides a detailed profile of the Accommodation, cafés and restaurants industry. The report aims to inform the Australian Fair Pay Commission's (Commission's) minimum wage reviews by providing statistical information on the industry, which has a relatively high prevalence of employees covered by the Commission's wage decisions.

Industry structure and characteristics

The industry comprises a number of smaller industry classes. These are:

- Accommodation;
- Pubs, taverns and bars;
- Cafés and restaurants; and
- Clubs (Hospitality).

The largest class is Cafés and restaurants, which accounted for about 33 per cent of total industry revenue in 2005–06. This was followed by Pubs, taverns and bars, generating 26.6 per cent of total revenue, and Accommodation, with 26.2 per cent of total revenue. Clubs comprised the smallest class in the industry, accounting for only 14.3 per cent of total revenues generated.

Industry activity by state is generally proportional to state population size, except for Queensland, due to its significantly higher levels of tourism activity. The largest state in terms of industry activity is New South Wales, accounting for 36.7 per cent of industry income in 2005–06. This is followed by Queensland and Victoria, which accounted for 23 per cent and 18.5 per cent of total income respectively.

The Accommodation, cafés and restaurants industry is characterised predominantly by a large number of small operators comprising the bulk of activity. This suggests a highly competitive environment with little scope to set prices and pass on increases in costs. Competition within the industry is driven further by low barriers to entry, with low capital costs required to set up a business, and the absence of any requirement for formal qualifications to operate in the industry.

Industry performance

The Accommodation, cafés and restaurants industry has exhibited slower than average growth compared with other industries. Between 2002–03 and 2005–06, total income in Accommodation, cafés and restaurants grew at an annual rate of 6.5 per cent versus 8.6 per cent across all industries. Also, profit margins in the industry are lower than average. In 2005–06, operating profit margins in Accommodation, cafés and restaurants were 5.5 per cent compared with 10.8 per cent across all industries. Over time, operating profit margins in Accommodation, cafés and restaurants have improved moderately, from 5 per cent in 2002–03 to 5.5 per cent in 2005–06.

Operating profit margins in the Accommodation, cafés and restaurants industry also vary considerably across industry classes as well as by business size. Accommodation services generated an overall operating profit margin of 11 per cent in 2006–07, the highest of all the industry classes due to less intense competition in this class. Within this industry class, the highest profit margins were generated by smaller businesses in terms of the number
of employees. This is also true of Pubs, taverns and bars, which generated an overall operating profit margin of 7.1 per cent in 2004–05.

Operating margins in Clubs (8.4 per cent in 2004–05) followed the opposite pattern, with the highest profit margins generated by the larger employing businesses. Operating margins in Cafés and restaurants were the lowest of all four industry classes (4.2 per cent in 2006–07), reflecting the very high level of competition within this class.

Demand for services in the Accommodation, cafés and restaurants industry has been heavily driven by the increase in real disposable incomes and wealth that has occurred over the last decade. Other factors – such as consumer sentiment, petrol prices, interest rates, labour market conditions and demographic trends – can also be expected to influence demand in the sector.

**Characteristics of employment**

Employment in the Accommodation, cafés and restaurants industry has grown strongly over time, from 325,200 people in May 1990 to 521,800 in May 2008. Over the last 15 years, employment growth in the sector has averaged 2.8 per cent per annum against employment growth of 2.2 per cent across all industries.

In October 2007, the Australian Government projected an annual employment growth in the Accommodation, cafés and restaurants industry of 1.5 per cent per annum to 2011–12 compared with a rate of growth of 1.3 per cent per annum across all industries. Within the industry the fastest growing classes are projected to be Pubs, taverns and bars (2.2 per cent per annum) and Cafés and restaurants (1.9 per cent per annum). Accommodation and Clubs are projected to show employment growth of just 0.6 per cent per annum and 0.3 per cent per annum respectively to the year 2011–12.

Employment in the Accommodation, cafés and restaurants industry shows a higher prevalence of part-time and casual workers. In May 2008, 49.2 per cent of workers in the industry were classified as part-time, compared with 28.8 per cent across all industries. While only 20.3 per cent of workers across the economy were employed on a casual basis, in the Accommodation, cafés and restaurants industry casual employees made up 56 per cent of the workforce in the sector.

The use of part-time and casual employment has enabled the industry to become more flexible in response to changes in the business cycle, seasonality and other peak demand periods. Many younger individuals choose to work part-time while they are completing secondary or further education, and predominantly in the case of women, while they are caring for young children. This is particularly true for part-time workers in the sector who tend to be younger and also more likely to be female than in other industries.

Labour Mobility in the industry also tends to be higher than average. While 21.3 per cent of all workers across the economy are estimated to have been in their current position for less than 12 months, in the Accommodation, cafés and restaurants industry the equivalent figure is 38 per cent. Conversely, while 25 per cent of all workers have been in their present position for in excess of 10 years, in the Accommodation, cafés and restaurants industry only 8.1 per cent of employees have been in their present role for more than a decade.
Occupational profile, productivity and wage bargaining

The Accommodation, cafés and restaurants industry is relatively low skilled, with a low proportion of individuals employed in the industry having completed any form of non-school qualification.

The four largest employing occupations in the industry are waiters, bar attendants, kitchen hands and chefs. Occupations tend to be classified at the lower end of the Australian Bureau of Statistics’ (ABS) Australian and New Zealand Standard Classification of Occupations (ANZSCO), apart from a smaller number of management positions. Hence, the industry is comprised predominantly of low-skilled occupations.

Expenditure on training by employers in the Accommodation, cafés and restaurants industry has been very low ($147 per employee) compared with the average across all industries ($458 per employee).

Labour productivity gains in the Accommodation, cafés and restaurants industry have lagged those in other industries in the market sector of the economy by a considerable margin. Between 1990–91 and 2005–06, labour productivity increased by 26.7 per cent in Accommodation, cafés and restaurants, compared with an increase of 42.1 per cent across all market industries over the same time frame.

In terms of wage bargaining, the vast majority of employees in the industry (57 per cent) are reliant on an award as the method for setting their pay. Across all industries, less than 20 per cent of workers rely on an award for their pay determination. An additional 26.3 per cent of workers in the Accommodation, cafés and restaurants industry rely on unregistered individual agreements.

In May 2006 the average full-time hours (including overtime) worked in the Accommodation, cafés and restaurants industry (40.1 hours) was about the same as hours worked across all industries (40.2 hours).

Part-time workers in the Accommodation, cafés and restaurants industry worked fewer hours on average than those in other industries. In May 2008, males and females in the industry worked a total of 14.8 and 15.5 hours per week respectively, compared with 16.5 hours (for males) and 17.5 hours (for females) across all industries.

Hourly wage rates are also quite low in the industry. This is not surprising given the labour-intensive, low-skilled nature of many of the occupations comprising the industry. While average hourly wage rates were $25.11 across all industries in May 2006, wage rates in the classes comprising the Accommodation, cafés and restaurants industry were between 17.2 per cent and 26.3 per cent below the average wage rate across all industries. Full-time average total earnings in Accommodation, cafés and restaurants were $868 per week in May 2007, compared with $1136 across all industries. Earnings in the industry are the second lowest of all industries and only surpass Retail trade, where earnings were $857 per week.

Differences in wage rates between permanent and casual employees, as well as between junior and adult employees, are smaller in the Accommodation, cafés and restaurants industry than in other industries. While permanent employees in Accommodation, cafés and restaurants earn only 10 cents per hour more than casuals, the difference in earnings across all industries is $4.60 per hour. Similarly, adult employees in the industry earn $7 per hour more than juniors. Across all industries the difference between adult and junior hourly earnings is $14.
1.2 Introduction

This report has been prepared in response to a request by the Australian Fair Pay Commission (Commission) to provide a detailed profile of the Accommodation, cafés and restaurants industry. The study aims to inform the Commission's minimum wage reviews by providing statistical information about an industry with a high prevalence of employees covered by the Commission's wage decisions.

1.2.1 Study objectives

The Commission is responsible for making minimum wage decisions that affect low-paid workers across the economy including:

- workers on junior rates of pay;
- workers on training wages;
- casual and piece-rate workers;
- adult workers on the Federal Minimum Wage; and
- workers receiving Australian Pay and Classification Scale wages.

The objective of this study is to provide a detailed analysis of the Accommodation, cafés and restaurants industry to better inform the Commission's decision-making.

The study focuses on:

- profitability and performance;
- industry characteristics such as cost drivers and output prices;
- characteristics of employing firms;
- characteristics of employees such as hours worked, earnings and wage rates;
- employment conditions; and
- productivity of labour and capital.

1.2.2 Report structure

The report is structured as follows:

- Chapter 1.3 defines the industry.
- Chapter 1.4 outlines the characteristics of the industry.
- Chapter 1.5 looks into industry performance and trends.
- Chapter 1.6 covers the characteristics of employment.
- Chapter 1.7 looks at occupational profile, productivity and wage bargaining.
- Chapter 1.8 outlines hours worked, wages and earnings in the industry.
1.3 Industry definition

1.3.1 Industry classification

The definitions applied in this report are those provided in Australian and New Zealand Industrial Classification (ANZSIC) 1993 and 2006. The change in industry classifications in 2006 poses some difficulties in presenting data – particularly time series, which may not be comparable under the two classification regimes.

In the case of the Accommodation, cafés and restaurants, now known as Accommodation and food services under ANZSIC 2006, the changes in classification have been relatively small, generally ensuring continuity between the two separate periods of differing classification.

1.3.2 Industry segments

The industry division comprises a number of smaller industry groupings. The classes presented below are according to the ANZSIC 2006 industry classification.

4440 Accommodation

The Accommodation class comprises businesses involved in the provision of short-term accommodation for visitors and/or meals and beverages for consumption both on- and off-site.

The division excludes gambling venues, amusement and theme parks, sports clubs and other recreational facilities and long-term caravan parks.

The Accommodation class consists of businesses involved in the following primary activities:

- hotels;
- motels;
- resorts;
- camping grounds;
- caravan parks;
- holiday home operators and serviced apartments;
- ski lodges; and
- student residence and youth hostel operations.

Two key exclusions from this class of businesses are the renting or leasing of residential properties and residential caravan accommodation, which are included in 6711 Residential property operation.

4511 Cafés and restaurants

The class 4511 consists of businesses primarily involved in the operation of Cafés and restaurants that provide both food and beverage serving services to be consumed on the premises. Businesses excluded are those that provide food to be taken away for immediate consumption, catering services, and those businesses involved selling alcoholic beverages for consumption both on and off the premises.
4512 Takeaway food services

This class includes only those businesses who are engaged in providing food services to be taken away for immediate consumption.

4513 Catering services

The Catering services class includes businesses involved in the provision of catering services at specified locations and events. Meals and snacks are prepared and served either on or off the premises and/or transported. They include airline food catering services.

4520 Pubs, taverns and bars

Businesses in this class are mainly involved in the serving of alcoholic beverages for consumption on the premises, or the sale of alcoholic beverages for consumption on and off the premises.

These businesses include:

• bars;
• hotels;
• night clubs;
• pubs and taverns; and
• wine bars.

If the main activity involves the retailing of alcoholic beverages for consumption off the premises, then the business is classified in 4123 Liquor retailing.

4530 Clubs (Hospitality)

The Clubs (Hospitality) class consists of associations that are engaged mainly in the provision of hospitality services to members, including gambling, sporting or other social and entertainment facilities.
1.3.3 Changes to ANZSIC classifications between 1993 and 2006

Changes between ANZSIC 1993 and ANZSIC 2006 classifications are shown in Table 1 below.

Table 1: Changes between ANZSIC 1993 and ANZSIC 2006

<table>
<thead>
<tr>
<th>ANZSIC 1993</th>
<th>Class description</th>
<th>Action</th>
<th>ANZSIC 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>5710</td>
<td>Accommodation</td>
<td>Activities moved</td>
<td>4440 Accommodation Excludes: caravan parks primarily providing long-term accommodation for residents to the rental, hiring and real estate services division, to ANZSIC 2006 class 6711 residential property operators</td>
</tr>
<tr>
<td>5720</td>
<td>Pubs, taverns and bars</td>
<td>No change</td>
<td>4520 Pubs, taverns and bars</td>
</tr>
<tr>
<td>5730</td>
<td>Cafés and restaurants</td>
<td>Split into 2 classes, Activities moved</td>
<td>4511 Cafés and restaurants Includes: providing food and beverage services for consumption on the premises Excludes: theatre restaurants to the arts and recreation services division, to ANZSIC 2006 class 9001 performing arts operation 4513 Catering services. Includes: providing catering services at specified locations or events</td>
</tr>
<tr>
<td>5125</td>
<td>Takeaway food retailing</td>
<td>Class added</td>
<td>4512 Takeaway food services ANZSIC 1993 class 5125 Takeaway food retailing added from the Retail trade division</td>
</tr>
<tr>
<td>5740</td>
<td>Clubs (Hospitality)</td>
<td>No change</td>
<td>4530 Clubs (Hospitality)</td>
</tr>
</tbody>
</table>

Source: ABS, ANZSIC 2006 – Class changes tables, Catalogue No. 1292.0.55.003, Canberra, ABS, 2006.

It can be seen that changes in ANZSIC classifications between 1993 and 2006 have not been great. Both the Pubs, taverns and bars and Clubs groups have not changed between the 1993 and 2006 classifications. In the case of Accommodation, caravan parks were removed from the ANZSIC 2006 classification to the Rental, hiring and real estate services division.

In the Cafés and restaurants group, the ANZSIC 1993 classification has been split into two separate classes at the four-digit level: Cafés and restaurants and Catering services. Theatre restaurants, previously classified to the Cafés and restaurants group in ANZSIC 1993 have been moved to the Arts and recreation services division.

In addition, a new class has been added covering Takeaway food services, which was previously classified to the Retail trade division.

An added complication is that various statistics sourced from the ABS are produced under both the ANZSIC 1993 and ANZSIC 2006 classification systems. This makes comparison more difficult. In general, where a time series of data is presented in this study, the data has been constructed under ANZSIC 1993. Where more recent stand-alone numbers are shown, these are likely to have been produced under ANZSIC 2006. However, as we have identified above, the changes that have been made to the Accommodation, cafés and restaurants industry division have generally been small, with all of the industry classes having either no or small changes between ANZSIC 1993 and ANZSIC 2006.
1.4 Industry structure and characteristics

1.4.1 Industry composition

The Accommodation, cafés and restaurants industry comprises four classes:

- Accommodation;
- Cafés and restaurants;
- Pubs, taverns and bars; and
- Clubs (Hospitality).

As a whole, the industry division generated in excess of $52,007 million in revenues in the financial year of 2005–06. This is significantly higher than income in 2001–02, which was $41,294 million, and is equivalent to an annualised growth rate of 5.9 per cent per annum over the period. The industry division generated $20,134 million of industry value added and operating profits before tax of $2821 million in 2005–06. Profit growth over the period has averaged 8.7 per cent per annum.

The Accommodation, cafés and restaurants industry generated 2.4 per cent of the total income generated by all industries, making it the eleventh largest industry in Australia by income in 2005–06. By comparison, the three largest industries by income were Manufacturing (16.9 per cent), Wholesale trade (16.7 per cent) and Retail trade (15 per cent). The Accommodation, cafés and restaurants industry was of similar size to Agriculture, forestry and fishing (2.9 per cent) and Communication services (2.3 per cent) and considerably larger than Personal services (0.8 per cent).

Table 2: Key statistics, Accommodation, cafés and restaurants, 2001–02 to 2005–06

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment at end of June '000s</th>
<th>Wages and salaries $m</th>
<th>Sales and service income $m</th>
<th>Total income $m</th>
<th>Total expenses $m</th>
<th>Operating profit before tax $m</th>
<th>Industry value added $m</th>
<th>Profit margin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001–02</td>
<td>9,500</td>
<td>40,119</td>
<td>41,294</td>
<td>39,335</td>
<td>2,022</td>
<td>15,421</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>2002–03</td>
<td>9,582</td>
<td>42,005</td>
<td>43,054</td>
<td>40,932</td>
<td>2,115</td>
<td>15,852</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>2003–04</td>
<td>10,219</td>
<td>45,974</td>
<td>46,831</td>
<td>44,233</td>
<td>2,749</td>
<td>17,982</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>2004–05</td>
<td>434.0</td>
<td>10,868</td>
<td>48,029</td>
<td>48,668</td>
<td>45,813</td>
<td>2,854</td>
<td>18,907</td>
<td>5.9</td>
</tr>
<tr>
<td>2005–06</td>
<td>460.4</td>
<td>11,804</td>
<td>51,305</td>
<td>52,007</td>
<td>49,134</td>
<td>2,821</td>
<td>20,134</td>
<td>5.5</td>
</tr>
</tbody>
</table>


In terms of turnover size, the largest class in the industry division is Cafés and restaurants, followed by Pubs, taverns and bars, Accommodation and Clubs.
### Table 3: Industry breakdown, 2005–06

<table>
<thead>
<tr>
<th>Accommodation, cafés and restaurants</th>
<th>Wages and salaries</th>
<th>Total income</th>
<th>Total expenses</th>
<th>Operating profit before tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Accommodation</td>
<td>2,905</td>
<td>13,633</td>
<td>12,470</td>
<td>1,125</td>
</tr>
<tr>
<td>Pubs, taverns and bars</td>
<td>2,606</td>
<td>13,837</td>
<td>13,125</td>
<td>715</td>
</tr>
<tr>
<td>Cafés and restaurants</td>
<td>4,353</td>
<td>17,119</td>
<td>16,574</td>
<td>536</td>
</tr>
<tr>
<td>Clubs (Hospitality)</td>
<td>1,941</td>
<td>7,418</td>
<td>6,965</td>
<td>445</td>
</tr>
<tr>
<td>Total</td>
<td>11,804</td>
<td>52,007</td>
<td>49,134</td>
<td>2,821</td>
</tr>
</tbody>
</table>


Figure 1 shows that about 33 per cent of the industry’s revenue was derived from the operation of Cafés and restaurants, Pubs, taverns and bars generated 26.6 per cent and Accommodation businesses 26.2 per cent of industry revenue. The smallest industry class was Clubs, which generated only 14.3 per cent of industry income in 2005–06.

**Figure 1: Industry division composition by revenue, per cent, 2005–06**

Clubs (Hospitality) 14.3

Accommodation 26.2

Cafés and restaurants 32.9

Pubs, taverns and bars 26.6

1.4.2 Number and type of businesses

The number of businesses operating in the industry division has increased steadily in the last five years – rising from 54,386 businesses in 2001–02 to 65,197 in 2005–06, an annual growth rate of 4.6 per cent.

In terms of the size of the businesses comprising the industry division, the vast majority either do not have any employees or employ fewer than 20 people. In 2005–06, about 38 per cent of all businesses in the industry division did not have any employees, and about 56 per cent of all businesses had fewer than 20 employees. Non-employing businesses in this industry are comprised predominantly of sole proprietorships and partnerships. Many cafés and restaurants are family-run businesses made up of husband and wife teams, for example.

In 2005–06 there were 3,866 middle-sized businesses in the industry division, employing between 20 and 100 employees. These comprise 5.9 per cent of all businesses. Large businesses with in excess of 100 employees only made up 0.2 per cent of all businesses.

The steady growth in the number of businesses shown in Figure 2 masks considerable movement of businesses in and out of the industry, with significant numbers of businesses failing over the period.

Table 4: Number of businesses by employment size, 2001–02 to 2005–06

<table>
<thead>
<tr>
<th>Year</th>
<th>Fewer than 20 employees</th>
<th>&gt;20 and &lt;100 employees</th>
<th>&gt;100 employees</th>
<th>Non-employing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001–02</td>
<td>30,726</td>
<td>4,148</td>
<td>159</td>
<td>19,352</td>
<td>54,386</td>
</tr>
<tr>
<td>2002–03</td>
<td>32,417</td>
<td>4,125</td>
<td>128</td>
<td>18,734</td>
<td>55,404</td>
</tr>
<tr>
<td>2003–04</td>
<td>35,733</td>
<td>3,403</td>
<td>124</td>
<td>21,175</td>
<td>60,436</td>
</tr>
<tr>
<td>2004–05</td>
<td>36,224</td>
<td>3,602</td>
<td>138</td>
<td>22,430</td>
<td>62,393</td>
</tr>
<tr>
<td>2005–06</td>
<td>36,547</td>
<td>3,866</td>
<td>145</td>
<td>24,639</td>
<td>65,197</td>
</tr>
</tbody>
</table>

Table 5 below shows the percentage change in the number of businesses operating in each year in each of the industry classes comprising the Accommodation, cafés and restaurants industry division from 2003–04 to 2006–07, as well as the entry rate and exit rate. The entry rate and exit rate are defined as the number of businesses entering and exiting the industry as a proportion of the total number of businesses operating at the start of the financial year.

### Table 5: Business entry and exit rates by industry class and year

<table>
<thead>
<tr>
<th>Year ending June</th>
<th>Industry</th>
<th>Percentage change of number of businesses</th>
<th>Entry rate %</th>
<th>Exit rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–04</td>
<td>Accommodation</td>
<td>4.1</td>
<td>17.8</td>
<td>13.8</td>
</tr>
<tr>
<td>2004–05</td>
<td>Accommodation</td>
<td>0.3</td>
<td>16.1</td>
<td>15.5</td>
</tr>
<tr>
<td>2005–06</td>
<td>Accommodation</td>
<td>0.0</td>
<td>14.0</td>
<td>13.7</td>
</tr>
<tr>
<td>2006–07</td>
<td>Accommodation</td>
<td>0.2</td>
<td>14.0</td>
<td>13.7</td>
</tr>
<tr>
<td>2003–04</td>
<td>Pubs taverns &amp; bars</td>
<td>3.6</td>
<td>20.7</td>
<td>16.8</td>
</tr>
<tr>
<td>2004–05</td>
<td>Pubs taverns &amp; bars</td>
<td>3.8</td>
<td>19.1</td>
<td>16.3</td>
</tr>
<tr>
<td>2005–06</td>
<td>Pubs taverns &amp; bars</td>
<td>0.2</td>
<td>16.1</td>
<td>15.3</td>
</tr>
<tr>
<td>2006–07</td>
<td>Pubs taverns &amp; bars</td>
<td>–1.0</td>
<td>16.7</td>
<td>15.9</td>
</tr>
<tr>
<td>2003–04</td>
<td>Cafés &amp; restaurants</td>
<td>7.3</td>
<td>28.1</td>
<td>21.8</td>
</tr>
<tr>
<td>2004–05</td>
<td>Cafés &amp; restaurants</td>
<td>2.9</td>
<td>25.9</td>
<td>23.0</td>
</tr>
<tr>
<td>2005–06</td>
<td>Cafés &amp; restaurants</td>
<td>2.4</td>
<td>23.6</td>
<td>20.3</td>
</tr>
<tr>
<td>2006–07</td>
<td>Cafés &amp; restaurants</td>
<td>3.0</td>
<td>23.5</td>
<td>20.9</td>
</tr>
<tr>
<td>2003–04</td>
<td>Clubs (Hospitality)</td>
<td>–0.8</td>
<td>4.3</td>
<td>5.2</td>
</tr>
<tr>
<td>2004–05</td>
<td>Clubs (Hospitality)</td>
<td>–2.6</td>
<td>3.8</td>
<td>4.2</td>
</tr>
<tr>
<td>2005–06</td>
<td>Clubs (Hospitality)</td>
<td>0.1</td>
<td>3.9</td>
<td>6.0</td>
</tr>
<tr>
<td>2006–07</td>
<td>Clubs (Hospitality)</td>
<td>–2.5</td>
<td>3.3</td>
<td>5.0</td>
</tr>
</tbody>
</table>


The table shows that there is significant movement in each industry class, with a large proportion of businesses entering and exiting the industry in any given year. The industry class with the highest degree of churn is Cafés and restaurants, which had an exit rate of 20.9 per cent and entry rate of 23.5 per cent in 2006–07. This was followed by Pubs, taverns and bars, with 15.9 per cent of all businesses exiting and 16.7 per cent entering the industry in 2006–07. In the case of Accommodation businesses, the entry and exit rates in 2006–07 were 14 per cent and 13.7 per cent respectively. Clubs are the most stable industry class of the four, with only 5 per cent of businesses exiting the industry in 2006–07, while 3.3 per cent entered the industry in the same year. Figure 3 presents this information graphically.
Figure 3: Business entry and exit rates by industry class, 2006–07

Per cent

<table>
<thead>
<tr>
<th>Industry Class</th>
<th>Entry Rate</th>
<th>Exit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>14.0%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Pubs taverns &amp; bars</td>
<td>16.7%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Cafés &amp; restaurants</td>
<td>23.5%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Clubs (Hospitality)</td>
<td>3.3%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>


Cafés and restaurants

As at June 2007, there were a total of 17,006 café and restaurant locations in Australia (see Table 6). Of these, 12,961 were located in capital cities and 4,045 were located in the regions.

Table 6: Cafés and restaurants, number of businesses and locations at end June, 2006–07

<table>
<thead>
<tr>
<th>Cafés and restaurants</th>
<th>Businesses</th>
<th>Capital city</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed cafés and restaurants</td>
<td>5,213</td>
<td>4,126</td>
<td>1,730</td>
<td>5,856</td>
</tr>
<tr>
<td>Licensed and BYO cafés and restaurants</td>
<td>2,736</td>
<td>2,526</td>
<td>485</td>
<td>3,011</td>
</tr>
<tr>
<td>BYO cafés and restaurants</td>
<td>2,005</td>
<td>1,323</td>
<td>728</td>
<td>2,052</td>
</tr>
<tr>
<td>Unlicensed cafés and restaurants</td>
<td>3,983</td>
<td>3,685</td>
<td>507</td>
<td>4,191</td>
</tr>
<tr>
<td>Chefs</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13,987</td>
<td>11,660</td>
<td>3,450</td>
<td>15,111</td>
</tr>
</tbody>
</table>


Figure 4 splits the number of locations by type. It shows that the largest group in the industry class are Licensed cafés and restaurants comprising 34.4 per cent of all locations, closely followed by Unlicensed cafés and restaurants making up 24.6 per cent of all locations.
Accommodation

Table 7 shows the number of establishments and rooms available in Accommodation services in 2006–07. The majority of establishments were motels, however the majority of rooms were offered by licensed hotels.

### Table 7: Accommodation services, number of establishment and number of rooms

<table>
<thead>
<tr>
<th>Establishment Type</th>
<th>Establishments</th>
<th>Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed hotels</td>
<td>481</td>
<td>75,653</td>
</tr>
<tr>
<td>Motels</td>
<td>2,345</td>
<td>66,497</td>
</tr>
<tr>
<td>Serviced apartments</td>
<td>583</td>
<td>12,080</td>
</tr>
<tr>
<td>Holiday parks, caravan parks</td>
<td>1,374</td>
<td>12,080</td>
</tr>
<tr>
<td>Visitor hostels (incl. backpacker hostels)</td>
<td>550</td>
<td>14,990</td>
</tr>
<tr>
<td>Bed and breakfast establishments</td>
<td>248</td>
<td>2,427</td>
</tr>
<tr>
<td>Resorts</td>
<td>313</td>
<td>22,987</td>
</tr>
<tr>
<td>Other</td>
<td>775</td>
<td>30,707</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,668</strong></td>
<td><strong>225,340</strong></td>
</tr>
</tbody>
</table>


As a proportion of total establishments in the industry class, motels and holiday parks were the two largest establishment types comprising 35.2 per cent and 20.6 per cent of all establishments respectively.
Figure 5: Percentage of total establishments by type, Accommodation services, 2006–07

Other 11.6
Resorts 4.7
Bed and breakfast establishments 3.7
Visitor hostels (inc backpacker hostels) 8.3
Holiday parks, caravan parks 20.6
Licensed hotels 7.2
Motels 35.2
Serviced apartments 8.7


1.4.3 Geography

Table 8 presents some statistics for the Accommodation, cafés and restaurants industry division by state jurisdiction.

Table 8: Industry statistics by jurisdiction, 2005–06

<table>
<thead>
<tr>
<th>State</th>
<th>Wages and salaries</th>
<th>Total income</th>
<th>Total expenses</th>
<th>Operating profit before tax</th>
<th>Earnings before interest, tax, depreciation and amortisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>NSW</td>
<td>4,323</td>
<td>19,101</td>
<td>18,051</td>
<td>1,061</td>
<td>2,354</td>
</tr>
<tr>
<td>Victoria</td>
<td>2,266</td>
<td>9,643</td>
<td>9,171</td>
<td>459</td>
<td>845</td>
</tr>
<tr>
<td>Queensland</td>
<td>2,565</td>
<td>11,986</td>
<td>11,338</td>
<td>641</td>
<td>1,131</td>
</tr>
<tr>
<td>South Australia</td>
<td>790</td>
<td>3,561</td>
<td>3,383</td>
<td>172</td>
<td>290</td>
</tr>
<tr>
<td>Western Australia</td>
<td>1,174</td>
<td>4,716</td>
<td>4,350</td>
<td>355</td>
<td>514</td>
</tr>
<tr>
<td>Tasmania</td>
<td>232</td>
<td>1,012</td>
<td>964</td>
<td>44</td>
<td>89</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>218</td>
<td>868</td>
<td>856</td>
<td>14</td>
<td>44</td>
</tr>
<tr>
<td>ACT</td>
<td>237</td>
<td>1,121</td>
<td>1,020</td>
<td>75</td>
<td>110</td>
</tr>
<tr>
<td>Australia</td>
<td>11,804</td>
<td>52,007</td>
<td>49,134</td>
<td>2,821</td>
<td>5,377</td>
</tr>
</tbody>
</table>


As expected, New South Wales has the greatest value of industry activity, generating 36.7 per cent of the industry division's total income in 2005–06.

Despite Victoria's larger population relative to Queensland, Queensland is the second-largest state of activity for the industry in terms of income generated with 23 per cent of total industry activity generated in Queensland.
Activity in Victoria, however, amounted to only 18.5 per cent of total industry income. This reflects Queensland’s large tourism sector, particularly the size of the Accommodation industry in the state.

1.4.4 Industry concentration

A key characteristic of the industry division is the relatively low level of concentration. The largest businesses do not dominate the industry. The absence of market power in the hands of a small number of businesses suggest a highly competitive operating environment with very little scope to set prices and extract greater revenues in the form of higher prices from consumers.

Table 9: Total income by business size, 2001–02 to 2005–06

<table>
<thead>
<tr>
<th>Year</th>
<th>Small, less than 20 employees</th>
<th>Medium, between 20 and 100 employees</th>
<th>Large, greater than 100 employees</th>
<th>Non-employing businesses</th>
<th>All businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001–02</td>
<td>14,536</td>
<td>16,191</td>
<td>7,461</td>
<td>3,105</td>
<td>41,294</td>
</tr>
<tr>
<td>2002–03</td>
<td>13,889</td>
<td>18,101</td>
<td>8,222</td>
<td>2,843</td>
<td>43,054</td>
</tr>
<tr>
<td>2003–04</td>
<td>16,849</td>
<td>17,927</td>
<td>8,081</td>
<td>3,974</td>
<td>46,831</td>
</tr>
<tr>
<td>2004–05</td>
<td>17,484</td>
<td>18,625</td>
<td>8,626</td>
<td>3,932</td>
<td>48,668</td>
</tr>
<tr>
<td>2005–06</td>
<td>18,337</td>
<td>18,926</td>
<td>10,217</td>
<td>4,527</td>
<td>52,007</td>
</tr>
</tbody>
</table>


Table 9 shows the industry division’s income distribution by business size. The table is also presented graphically in the figure below.
Figure 7: Total income by business size, 2001–02 to 2005–06

Figure 7 shows the total income by business size from 2001–02 to 2005–06. The data is presented in millions of dollars. Small businesses (less than 20 employees) accounted for the largest share of income in 2001–02, while medium-sized businesses (20 to 100 employees) had the highest income in 2005–06.

Figure 8: Percentage of total income by business size, 2005–06

Figure 8 shows that non-employing and small businesses with fewer than 20 employees accounted for 44% of total revenue generated by the industry in 2005–06. Medium-sized businesses with more than 20 and fewer than 100 employees accounted for just over 36% of industry revenue, with large businesses with over 100 employees accounting for only 19.6% of industry revenues.

When compared against all industries it is evident that smaller and medium-sized businesses are more prevalent in Accommodation, cafés and restaurants. Across all industries, businesses with greater than 100 employees account for 38.7 per cent of total income compared with 19.6 per cent for Accommodation, cafés and restaurants. The Accommodation, cafés and restaurants industry is therefore less concentrated than average, with many more smaller businesses competing for a small share of the overall market.

1.4.5 Industry division income and cost structure

Composition of income

Most income derived by businesses in the industry was as a result of a combination of the sale of goods and services (see Table 10), comprising mostly the sale of meals and beverages and income from the provision of accommodation.

Table 10: Industry division, sources of income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of goods</td>
<td>$23,845</td>
<td>$22,477</td>
<td>$24,247</td>
<td>$22,524</td>
<td>$28,386</td>
</tr>
<tr>
<td>Income from services</td>
<td>$15,770</td>
<td>$19,282</td>
<td>$21,322</td>
<td>$24,853</td>
<td>$22,158</td>
</tr>
<tr>
<td>Rent, leasing and hiring income</td>
<td>$504</td>
<td>$246</td>
<td>$405</td>
<td>$652</td>
<td>$762</td>
</tr>
<tr>
<td>Funding from government for operational costs</td>
<td>$70</td>
<td>$83</td>
<td>$45</td>
<td>$70</td>
<td>$23</td>
</tr>
<tr>
<td>Interest income</td>
<td>$237</td>
<td>$310</td>
<td>$244</td>
<td>$226</td>
<td>$235</td>
</tr>
<tr>
<td>Other income</td>
<td>$867</td>
<td>$655</td>
<td>$567</td>
<td>$343</td>
<td>$444</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>$41,294</td>
<td>$43,054</td>
<td>$46,831</td>
<td>$48,668</td>
<td>$52,007</td>
</tr>
</tbody>
</table>


In 2005–06, industry sales of goods amounted to $28,386 million or 54.6 per cent of total income generated by the industry division. Income from services was $22,158 million in 2005–06, or 42.6 per cent of total income. Together, the income from the sale of goods and services amounted to 97.2 per cent of total income generated by the industry (see Figure 9).

Figure 9: Income sources as a percentage of total income

Cafés and restaurants

In 2006–07 the Cafés and restaurants industry class generated income revenue of $13,673 million. Of this, $6,429 million or 47 per cent was comprised of takings from meals consumed on the premises. An additional $3,291 million was generated from catering income, and $2,725 million came from the sale of liquor and other beverages. These amounts represent 24.1 per cent and 19.9 per cent of total income respectively. The other source of food-related income came from the sale of takeaway food, which represents 4.9 per cent of income revenue.

Table 11: Cafés and restaurants, sources of income, 2006–07

<table>
<thead>
<tr>
<th>Source of income</th>
<th>Income (m)</th>
<th>Percentage of total income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takings from meals consumed on the premises</td>
<td>6,428.6</td>
<td>47.0</td>
</tr>
<tr>
<td>Takings from takeaway food</td>
<td>669.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Takings from catering services</td>
<td>3,291.3</td>
<td>24.1</td>
</tr>
<tr>
<td>Sale of liquor and other beverages</td>
<td>2,724.6</td>
<td>19.9</td>
</tr>
<tr>
<td>Other services</td>
<td>219.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Other sales of goods</td>
<td>238.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Rent, leasing and hiring</td>
<td>46.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Interest</td>
<td>13.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>42.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>13,673.2</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Figure 10 presents this information graphically.

Figure 10: Cafés and restaurants, income sources as percentage of total income, 2006–07

Accommodation services

The Accommodation services industry class generated revenue of $9,876 million in 2006–07. By far the largest source of income in this class was from the provision of accommodation, generating $6,520 million in revenue or 66 per cent of total income (see Figure 11).

Table 12: Accommodation services, sources of income, 2006–07

<table>
<thead>
<tr>
<th>Sources of income</th>
<th>Income $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takings from the provision of accommodation</td>
<td>6,519.6</td>
</tr>
<tr>
<td>Takings from meals</td>
<td>1,388.1</td>
</tr>
<tr>
<td>Sales of liquor and other beverages</td>
<td>599.7</td>
</tr>
<tr>
<td>Sales of other goods</td>
<td>222.3</td>
</tr>
<tr>
<td>Rent, leasing and hiring</td>
<td>171.8</td>
</tr>
<tr>
<td>Management fees/charges received</td>
<td>93.6</td>
</tr>
<tr>
<td>Other services</td>
<td>618.6</td>
</tr>
<tr>
<td>Interest</td>
<td>38.8</td>
</tr>
<tr>
<td>Other</td>
<td>223.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,876.2</strong></td>
</tr>
</tbody>
</table>


An additional 20.2 per cent of revenue was derived through the sale of meals and beverages.

Figure 11: Accommodation services, income sources as a percentage of total income, 2006–07

In 2004–05, Pubs, taverns and bars and Clubs generated revenue of $11,114 million and $7,375 million respectively.

For Pubs, taverns and bars, 57.7 per cent of all income was derived through the sale of alcoholic and other beverages for consumption, either on or off the premises. An additional 28.3 per cent of income came from gambling, predominantly poker machines.

Clubs differ from pubs in that they are more highly dependent on gambling income for their revenue. Over 58 per cent of income generated by Clubs was derived from gambling, once again mostly through poker machines. An additional 21.7 per cent of revenue was derived from the sale of alcoholic and other beverages.

Composition of costs

Table 13 shows a breakdown of operating expenses in the Accommodation, cafés and restaurants industry.
Table 13: Sources of expenditure, 2001–02 to 2005–06

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Selected labour costs</td>
<td>10,545</td>
<td>10,746</td>
<td>11,548</td>
<td>12,243</td>
<td>13,364</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>25,518</td>
<td>27,134</td>
<td>29,031</td>
<td>30,096</td>
<td>32,048</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>1,798</td>
<td>1,599</td>
<td>1,687</td>
<td>1,693</td>
<td>1,831</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>953</td>
<td>968</td>
<td>1,165</td>
<td>1,226</td>
<td>1,403</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>458</td>
<td>491</td>
<td>650</td>
<td>556</td>
<td>540</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>39,335</strong></td>
<td><strong>40,932</strong></td>
<td><strong>44,233</strong></td>
<td><strong>45,813</strong></td>
<td><strong>49,134</strong></td>
</tr>
</tbody>
</table>


In 2005–06, the industry incurred operating expenditures of $49,134 million. The largest expense item was cost of sales, which amounted to $32,048 million or 65.2 per cent of total expenses (see Figure 13). Labour costs amounted to $13,364 million or 27.2 per cent of industry expenses.

It is clear from these figures that the industry is highly labour intensive, with labour costs comprising a significant component of operating expenses.

Figure 13: Accommodation, cafés and restaurants, industry cost structure as a percentage of total costs, 2005–06


Table 14 compares the ratio of wages to total expenses over time for the Accommodation, cafés and restaurants industry and all industries combined. Across all industries, wages and salaries account for approximately 15.8 per cent on 2005–06, rising slightly from 15.5 per cent in 2001–02.

In comparison, wages and salaries in the Accommodation, cafés and restaurants industry made up 24 per cent of all expenses in 2005–06. Wages and salaries and labour costs in general are a much more significant component of the Accommodation, cafés and restaurants industry than in most other industries. Wage increases that cannot be passed on to consumers in the form of higher prices therefore have an above average impact on profitability in the Accommodation, cafés and restaurants industry relative to other industries.
Table 14: Wages as a percentage of total expenses, 2005–06

<table>
<thead>
<tr>
<th>Year</th>
<th>Accommodation, cafés and restaurants</th>
<th>All industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Wages to</td>
</tr>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>2001–02</td>
<td>9,500</td>
<td>39,335</td>
</tr>
<tr>
<td>2002–03</td>
<td>9,582</td>
<td>40,932</td>
</tr>
<tr>
<td>2003–04</td>
<td>10,219</td>
<td>44,233</td>
</tr>
<tr>
<td>2004–05</td>
<td>10,868</td>
<td>45,813</td>
</tr>
<tr>
<td>2005–06</td>
<td>11,804</td>
<td>49,134</td>
</tr>
</tbody>
</table>


Figure 14: Wages and salaries as a percentage of total expenses by sector, 2005–06

Within the industry, the classes with the highest wages expenses relative to the total expenses are Clubs and Cafés and restaurants, which pay out 27.9 per cent and 26.3 per cent of all expenses as wages and salaries respectively. Pubs, taverns and bars have the lowest ratio of wages to expenses with 19.9 per cent of expenses set aside for wages and salaries.

Cafés and restaurants

Table 15 shows a breakdown of operating expenditures for the Cafés and restaurants industry class in 2006–07.
Table 15: Cafés and restaurants, sources of expenditure, 2006–07

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Expenditure Proportion of total expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
</tr>
<tr>
<td>Labour costs</td>
<td>4,777.7</td>
</tr>
<tr>
<td>Purchases</td>
<td>4,839.1</td>
</tr>
<tr>
<td>Rent, leasing and hiring</td>
<td>1,169.3</td>
</tr>
<tr>
<td>Electricity, gas and water charges</td>
<td>254.1</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>165.8</td>
</tr>
<tr>
<td>Franchise fees</td>
<td>54.3</td>
</tr>
<tr>
<td>Payments to other businesses (e.g. employment agencies) for staff</td>
<td>166.4</td>
</tr>
<tr>
<td>Other contract, subcontract and commission expenses</td>
<td>294.5</td>
</tr>
<tr>
<td>Interest</td>
<td>137.8</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>168.8</td>
</tr>
<tr>
<td>Other</td>
<td>1,080.7</td>
</tr>
<tr>
<td>Total</td>
<td>13,108.3</td>
</tr>
</tbody>
</table>


In 2006–07, Cafés and restaurants incurred operating expenses of $13,108 million. The largest single items were purchases of foodstuffs and beverages, labour costs and rent, leasing and hiring expenses.

Figure 15 shows the breakdown graphically for the main items. Purchases accounted for 36.9 per cent of expenses, while labour costs comprised 36.4 per cent of total expenses. Rent, leasing and hiring amounted to close to 9 per cent of expenses in Cafés and restaurants. This is indicative of the practice in Cafés and restaurants to lease rather than purchase capital equipment, including businesses. The Cafés and restaurants class is therefore labour- rather than capital-intensive.

Figure 15: Cafés and restaurants, breakdown of operating expenditures, per cent, 2006–07

Accommodation services

In Accommodation services, total operating expenses incurred were $8,844 million in 2006–07. The largest single expense item was labour costs, which amounted to $3,161 million or close to 36 per cent of operating expenses. Other significant sources of expenditure are purchases $1,072 million (12.1 per cent) and rent leasing and hiring $831 million (9.4 per cent).

Table 16: Accommodation services, sources of expenditure, 2006–07

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Expenditure</th>
<th>Proportion of total expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour costs</td>
<td>3,160.7</td>
<td>35.7</td>
</tr>
<tr>
<td>Purchases</td>
<td>1,071.8</td>
<td>12.1</td>
</tr>
<tr>
<td>Rent, leasing and hiring</td>
<td>831.2</td>
<td>9.4</td>
</tr>
<tr>
<td>Electricity, gas and water charges</td>
<td>331.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>326.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Advertising, marketing and promotional expenses</td>
<td>252.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Management fees/charges paid</td>
<td>244.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Laundry and cleaning services</td>
<td>220.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Interest</td>
<td>396.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>381.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Other</td>
<td>1,626.4</td>
<td>18.4</td>
</tr>
<tr>
<td>Total</td>
<td>8,843.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>


A breakdown of operating expenses is shown graphically in Figure 16.

Unlike the other groups comprising the industry, Accommodation businesses incur a wider array of operating expenses in their day-to-day operations. After ranking the top seven expense items, there are still 28 per cent of total operating expenses that are yet to be accounted for.

As one would expect because of the nature of their operations, Accommodation businesses also incur significant electricity, gas and water charges, advertising expenses and repairs and maintenance charges.

Figure 16: Accommodation services, breakdown of operating expenditures, per cent, 2006–07

Other expenses 28.0

Labour costs 35.7

Interest 4.5

Advertising and marketing 2.9

Repair and maintenance 3.7

Electricity, gas and water charges 3.7

Purchases 12.1

Rent, leasing and hiring 9.4

**Pubs, taverns and bars and Clubs (Hospitality)**

Figure 17 shows the composition of operating expenses for Pubs, taverns and bars and Clubs.

In the case of Pubs, taverns and bars, the largest expenditure item in 2004–05 was purchases, comprising 43.2 per cent of total expenses. Labour costs made up 21.9 per cent of total expenses, followed by gambling taxes (9.1 per cent) and rent, leasing and hiring (6.2 per cent).

In contrast, labour costs were a considerably more significant component of the cost structure of Clubs, accounting for 31.4 per cent of total expenses, the largest cost component.

Purchases made up 16.7 per cent of operating costs, but these were closely followed by gambling taxes and levies comprising 16.3 per cent of expenses, and reflecting the high reliance of Clubs on gambling-related activity.

Figure 17: Pubs, taverns and bars and Clubs, operating expenses as a percentage of total expenses, 2004–05

1.4.6 Competition

The Accommodation, cafés and restaurants industry is characterised by a high degree of competition. There are various reasons for this.

First, the barriers to entry are generally low. Most property, buildings and equipment for operation can be leased rather than purchased. Capital costs required to set up business are therefore relatively low. The hypothesis of low barriers to entry is supported by data presented in Table 5 earlier in the report, which detail the rate at which new businesses enter and exit the four industry classes that comprise the Accommodation, cafés and restaurants industry division. The table shows very high entry and exit rates for Cafés and restaurants and Pubs, taverns and bars. Entry and exit rates for Accommodation are less than those for cafés and restaurants and Pubs, taverns and bars, reflecting higher barriers to entry and exit that are present in this industry class. By comparison, Clubs have the greatest barriers to entry, with entry and exit rates that lie considerably below the other classes in the industry division.

Second, the number of businesses operating across the industry is very high and is dominated by small owner-operated businesses. Third, despite the desirability of skills and experience in the Accommodation, cafés and restaurants industry, there is no requirement for formal qualifications to operate in the industry.

In addition, businesses operating in the industry generally have little market power or ability to influence prices. Concentration is generally very low – and the largest companies generally do not account for a large proportion of industry activity. This is also true of Accommodation services, despite the presence of some large hotel operators.

Given these attributes of the industry, competition in the industry is heavily based on price. Despite this, there is also competition based on location, product differentiation, presentation and style, variety, level of service and atmosphere.

As a result of the high level of price competition in the industry, profit margins can be expected to be low – with very little scope on the part of many operators to pass on cost increases into higher prices.
1.5 Industry performance

1.5.1 Current and historical performance

Table 17 shows a number of key indicators for the Accommodation, cafés and restaurants industry.

The industry generated total income of $52,007 million in 2005–06, up from $43,054 million in 2002–03. This represents an annualised growth rate of 6.5 per cent. Over the same period, total expenses rose by 6.3 per cent per annum to $49,134 million. Operating profits before tax was therefore $2,821 million in 2005–06.

In 2005–06 the industry contributed $20,134 million in industry value added, which was up from $15,852 million in 2002–03.

Wages and salaries paid by the Accommodation, cafés and restaurants industry also grew over the same period, from $9,582 million to $11,804 million, an annual rise of 7.2 per cent.

Table 17: Key Accommodation, cafés and restaurants industry measures, 2002–03 to 2005–06

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales and service income</th>
<th>Wages and salaries</th>
<th>Total income</th>
<th>Total expenses</th>
<th>Operating profit before tax</th>
<th>Industry value added</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002–03</td>
<td>42,005</td>
<td>9,582</td>
<td>43,054</td>
<td>40,932</td>
<td>2,115</td>
<td>15,852</td>
</tr>
<tr>
<td>2003–04</td>
<td>45,974</td>
<td>10,219</td>
<td>46,831</td>
<td>44,233</td>
<td>2,749</td>
<td>17,982</td>
</tr>
<tr>
<td>2004–05</td>
<td>48,029</td>
<td>10,868</td>
<td>48,668</td>
<td>45,813</td>
<td>2,854</td>
<td>18,907</td>
</tr>
<tr>
<td>2005–06</td>
<td>51,305</td>
<td>11,804</td>
<td>52,007</td>
<td>49,134</td>
<td>2,821</td>
<td>20,134</td>
</tr>
</tbody>
</table>


Figure 18 compares growth in these variables for the Accommodation, cafés and restaurants industry against all industries. It is evident that the main financial indicators for the industry have grown at a lower rate over the same period against the average for all industries.

Income generated by the industry grew at an annualised rate of 6.5 per cent compared with 8.6 per cent for all other industries. On a similar note, the industry’s contribution to industry value added has been below average.

Total expenses increase by 6.3 per cent per annum over the period, compared with income growth of 6.5 per cent per annum. This suggests a slight improvement in operating profit margins over the period.
In comparing income growth in the industry by business size, non-employing and large businesses have shown the strongest growth, growing at an annualised rate of 9.9 per cent and 8.2 per cent respectively. The group that showed the slowest growth over the period were medium-sized businesses with between 20 and 100 employees.

**Figure 19: Annual growth rate in income by business size, 2001–02 to 2005–06**

<table>
<thead>
<tr>
<th>Growth rate (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fewer than 20 employees</td>
</tr>
<tr>
<td>6.0</td>
</tr>
</tbody>
</table>


### 1.5.2 Drivers of industry growth

The Accommodation, cafés and restaurants industry has benefitted greatly from the rise in real incomes that has occurred over the past decade.
While each of the industry classes comprising the division has different characteristics and therefore different demand drivers, overall the industry has benefitted from the rise of the services sector in the Australian economy. This trend has been analysed and documented in a Productivity Commission’s research paper entitled Trends in Australian Manufacturing, published in 2003.

According to the Productivity Commission paper, this increasing demand for services across the economy can be expected to continue in the future as a result of changing preferences arising from increases in real incomes and wealth. That is, as people’s disposable incomes increase they spend a larger proportion of their income on services such as Accommodation, cafés and restaurants.

In the case of Cafés and restaurants, Pubs, taverns and bars and Clubs, growth in disposable incomes is a key driver of demand. Other factors such as the overall state of the economy and labour market conditions are also likely to play a role. In recent times, the impact of rising petrol prices and other living costs such as interest rates might be expected to impact negatively on overall demand in the sector by reducing household discretionary income.

In addition, trends towards double income households and the time constraints that many households face as a result has tended to favour eating out and the purchase of takeaway meals over food prepared at home.

In the case of Accommodation services, demand comes from both domestic and international sources. For domestic visitors, demand is largely driven by an increase in household disposable incomes and employment conditions. Insofar as increases in petrol prices and interest rate rises reduce disposable income, they will also affect demand for Accommodation services. There are also wealth effects operating, with demand for goods and services rising as consumers feel wealthier after a rise in the underlying level of the share market or house prices.

The mix between domestic and overseas travel will be influenced by the relative cost of domestic versus overseas holidays. For this reason, relative exchange rates and the price of airfares will play a role. Fears of travelling overseas because of any perceived threat of global terrorism or epidemics may affect demand for domestic accommodation in the short to medium term.

Similarly, a significant proportion of demand for accommodation services in Australia comes from overseas. This will, again, be influenced by relative exchange rates, international economic conditions and the effectiveness of Australian tourism promotions in overseas markets.

Business travel is driven largely by business confidence and levels of economic growth. An emerging trend may see more and more business travel supplanted in future by the development of improved teleconferencing and video conferencing technologies.

1.5.3 Profitability

The Accommodation, cafés and restaurants industry generated operating profits before tax of $2,821 million in 2005–06, up from $2022 million in 2001–02. Table 18 shows the operating profit before tax for the industry by business size.
Table 18: Operating profit before tax, 2001–02 to 2005–06

<table>
<thead>
<tr>
<th>Year</th>
<th>Small businesses, fewer than 20 employees</th>
<th>Medium businesses, between 20 and 100 employees</th>
<th>Large businesses, more than 100 employees</th>
<th>Non-employing businesses</th>
<th>All businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>2001–02</td>
<td>785</td>
<td>762</td>
<td>259</td>
<td>216</td>
<td>2,022</td>
</tr>
<tr>
<td>2002–03</td>
<td>716</td>
<td>829</td>
<td>249</td>
<td>321</td>
<td>2,115</td>
</tr>
<tr>
<td>2003–04</td>
<td>830</td>
<td>962</td>
<td>508</td>
<td>450</td>
<td>2,749</td>
</tr>
<tr>
<td>2004–05</td>
<td>842</td>
<td>1,197</td>
<td>373</td>
<td>442</td>
<td>2,854</td>
</tr>
<tr>
<td>2005–06</td>
<td>751</td>
<td>1,121</td>
<td>389</td>
<td>560</td>
<td>2,821</td>
</tr>
</tbody>
</table>


From the table it is evident that the best performing groups in terms of profit growth have been the ‘non-employing’ and the ‘greater than 100 employees’ groups. Small businesses with fewer than 20 employees experienced a contraction in total profits from $785 million in 2001–02 to $751 million in 2005–06.

Figure 20 shows the industry division profits graphically.

Figure 20: Operating profit before tax, 2001–02 to 2005–06

$ million

Operating profits for the industry track the rate of overall economic growth in the economy reasonably closely. Between 2002–03 and 2003–04, when real GDP grew by 4.8 per cent, or 2.5 times growth in the previous year, operating profits in the Accommodation, cafés and restaurants industry expanded by 30 per cent, compared with growth of 4.6 per cent in the previous year. In 2004–05 and 2005–06, real GDP growth declined in both years, and growth in operating profits declined accordingly, down to 3.8 per cent in 2004–05 and turning negative in 2005–06, contracting by 1.2 per cent.
Operating profit margins for the industry are shown in Figure 22. The Accommodation, cafés and restaurants industry has achieved relatively low profit margins in the period under consideration. In 2005–06 the industry achieved a profit margin of 5.5 per cent, compared with 10.8 per cent across all industries in the economy. The margin between operating profit margins in the Accommodation, cafés and restaurants industry against all other industries has remained considerable in the period between 2001–02 and 2005–06, ranging between 3.6 percentage points in 2003–04 and 5.3 percentage points in 2005–06.

Movement in profit margins tends also to follow the rate of growth in economic activity. In the year with the highest growth in real GDP, operating profit margins in the industry were at their highest, 6 per cent in 2003–04. Conversely, the period of slowest GDP growth was 2002–03, when operating profit margins in the industry were only 5 per cent. As economic growth declined in the three years from 2003–04 to 2005–06, operating profit margins in the Accommodation, cafés and restaurants industry also declined from 6 per cent to 5.5 per cent in 2005–06. This sort of movement is not surprising. As economic activity slows, activity within the industry also slows so that fixed costs as a proportion of total operating expenses increase. This results in a reduction in operating margins. When economic growth accelerates, the opposite is true: fixed costs as a proportion of all operating expenses decline and operating margins increase.

The overall profitability of the industry masks a considerable degree of variation across individual businesses. In 2005–06, 37.3 per cent of businesses made a loss, and an additional 1.8 per cent merely broke even (see Figure 23).

The chart also shows that the proportion of profitable businesses operating in the industry has declined from 64.8 per cent in 2001–02 to 60.9 per cent in 2005–06. Again, movement in the proportion of businesses making a profit or loss seems to be affected by the level of economic activity in any particular year. For example, in 2003–04, when real GDP growth was 4.8 per cent, the proportion of businesses making a profit rose by a full percentage point from 61.1 per cent to 62.1 per cent. By 2005–06, when real GDP growth had slowed to 2.3 per cent, the proportion of businesses making a profit had also fallen back to 60.9 per cent.
Figure 24: Operating profit margins by industry class

<table>
<thead>
<tr>
<th>Industry Class</th>
<th>Operating Profit Margin (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clubs, 2004–05</td>
<td>8.4</td>
</tr>
<tr>
<td>Pubs, taverns and bars, 2004–05</td>
<td>7.1</td>
</tr>
<tr>
<td>Accommodation, 2006–07</td>
<td>11</td>
</tr>
<tr>
<td>Cafés and restaurants, 2006–07</td>
<td>4.2</td>
</tr>
</tbody>
</table>


Figure 24 presents operating profit margins for each of the classes that comprise the Accommodation, cafés and restaurants industry, from the most recent industry survey conducted by the ABS. In the case of Cafés and restaurants and Accommodation, the most recent reference period was 2006–07. For Clubs and Pubs, taverns and bars it was 2004–05.

The industry class where profit margins are lowest is Cafés and restaurants, where all businesses generated an operating profit margin of 4.2 per cent. By comparison, margins in the other classes are better. Accommodation services were able to generate margins of 11 per cent, largely due to competition being less intense in this class relative to the others. Operating profit margins in Clubs and Pubs, taverns and bars were assisted by these classes' reliance on revenue from gambling. This is particularly true for Clubs, which were able to generate higher operating profit margins than Pubs, taverns and bars.

Table 19 further splits the data on operating profit margins presented in Figure 24 above by business size as measured by the number of employees. The data show that in the Cafés and restaurants industry class the business groups which were able to generate the highest profit margins are those of 5–9 persons and greater than 100 persons, with profit margins of 5.6 per cent and 4.9 per cent in 2006–07.
Table 19: Operating profit margin by business size and industry class

<table>
<thead>
<tr>
<th>Business size (employees)</th>
<th>0–4 persons</th>
<th>5–9 persons</th>
<th>10–19 persons</th>
<th>20–49 persons</th>
<th>50–99 persons</th>
<th>&gt; 100 persons</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafés and restaurants, 2006–07</td>
<td>0.5%</td>
<td>5.6%</td>
<td>3.5%</td>
<td>4.2%</td>
<td>4.2%</td>
<td>4.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Accommodation, 2006–07</td>
<td>14.2%</td>
<td>16.0%</td>
<td>12.9%</td>
<td>9.8%</td>
<td>13.7%</td>
<td>8.2%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business size (employees)</th>
<th>0–19 persons</th>
<th>20–49 persons</th>
<th>50–99 persons</th>
<th>&gt;100 persons</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pubs, taverns and bars, 2004–05</td>
<td>9.0%</td>
<td>8.7%</td>
<td>6.7%</td>
<td>2.7%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Clubs, 2004–05</td>
<td>5.4%</td>
<td>5.8%</td>
<td>9.4%</td>
<td>10.8%</td>
<td>8.4%</td>
</tr>
</tbody>
</table>


In Accommodation services, the highest operating profit margins tended to be generated by businesses at the smaller end of the business size spectrum, although all business size groups in Accommodation services were substantially more profitable than the other classes comprising the industry.

In Pubs, taverns and bars, once again, the most profitable businesses tend to be the smallest in terms of the number of employees, with profit margins in the 0 to 19 employee group and 20 to 49 groups reaching 9 per cent and 8.7 per cent respectively compared with 7.1 per cent across all Pubs, taverns and bars in 2004–05. The opposite trend was observed in the case of Clubs, with the largest profit margins being generated by those businesses with the most employees. This is not particularly surprising, because the larger Clubs generate a higher proportion of their earnings from gambling.
1.6 Characteristics of employment

1.6.1 Employment level and growth

There has been a long-term upward trend in employment in the Accommodation, cafés and restaurants industry. Employment in the industry has increased from 325,200 people in May 1990 through to 521,800 in May 2008 (see Figure 25).

Figure 25: Total employment, May 1990 to May 2008


Figure 26 shows that despite a steady long run increasing trend in the level of employment in the Accommodation, cafés and restaurants industry, annual changes in employment can be quite volatile. For example, a large increase in the industry of 46,100 was followed by a decline of 49,700 in 2006, and then again by a rise of 69,600 in 2007.

Figure 26: Change in employment

Total employment growth in the industry across a number of time horizons is shown in Figure 27, against growth across all industries.

Figure 27: Annualised growth rates of total employment, years to May 2008

Per cent

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>2 years</th>
<th>5 years</th>
<th>10 years</th>
<th>15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation, cafés and restaurants</td>
<td>-2.4</td>
<td>2.2</td>
<td>2.3</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>All industries</td>
<td>2.2</td>
<td>2.6</td>
<td>2.5</td>
<td>2.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>


Over the long run, annualised growth in employment in Accommodation, cafés and restaurants has been 2.8 per cent per annum versus 2.2 per cent per annum across all industries. Employment growth in the industry has therefore been above average over the last 15 years. Over five- and 10-year time horizons, growth in the Accommodation, cafés and restaurants industry has been marginally below that recorded across all industries.

Across jurisdictions, employment in the industry has been strongest in New South Wales, with 186,700 employees in May 2008 (see Figure 28). The second highest employing state was Victoria, closely followed by Queensland with 114,900 and 109,900 employees respectively.
Figure 29 presents the growth in employment in the Accommodation, cafés and restaurants industry over five and 10 years.

The fastest growing sources of employment in the industry over the last five years have come from Tasmania and South Australia, albeit off a very small base. Annualised growth in Tasmania was 4.2 per cent over the last five years, and 3.7 per cent in South Australia.

Of the larger states, growth over the last five years was strongest in Queensland, which grew at an annualised rate of 3.2 per cent. Growth in Queensland has also been faster over the last five years compared with the last 15 years, where annualised growth was 2.9 per cent. Employment growth in New South Wales has remained relatively static over both the last five and 15 years, growing at rates of 2.5 per cent and 2.6 per cent per annum respectively. In Victoria, growth in the industry has slowed considerably over the last five years compared with the longer 15-year period. In the 5 years to May 2008, employment growth in Victoria in Accommodation, cafés and restaurants was only 1.4 per cent compared with a much stronger rate of growth of 3.9 per cent over a 15-year period.
Figure 29: Employment growth by jurisdiction, 5-year and 15-year annualised growth rates to May 2008

Per cent

<table>
<thead>
<tr>
<th>Region</th>
<th>5-year growth rate</th>
<th>15-year growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Vic</td>
<td>3.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Qld</td>
<td>2.9</td>
<td>3.7</td>
</tr>
<tr>
<td>SA</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>WA</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Tas</td>
<td>0.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>NT</td>
<td>2.8</td>
<td>0.4</td>
</tr>
<tr>
<td>ACT</td>
<td>-0.5</td>
<td>-0.4</td>
</tr>
<tr>
<td>Aust</td>
<td>2.3</td>
<td>2.8</td>
</tr>
</tbody>
</table>


Figure 30: Employment by region, February 2007

<table>
<thead>
<tr>
<th>Region</th>
<th>('000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>97.4</td>
</tr>
<tr>
<td>Melbourne</td>
<td>72.1</td>
</tr>
<tr>
<td>Brisbane</td>
<td>70.2</td>
</tr>
<tr>
<td>Perth</td>
<td>31.5</td>
</tr>
<tr>
<td>Hunter and North Coast NSW</td>
<td>29.3</td>
</tr>
<tr>
<td>Central and N Queensland</td>
<td>28.3</td>
</tr>
<tr>
<td>Adelaide</td>
<td>23.5</td>
</tr>
<tr>
<td>W Victoria</td>
<td>16.8</td>
</tr>
<tr>
<td>W NSW</td>
<td>16.4</td>
</tr>
<tr>
<td>Tweed and SE NSW</td>
<td>14.2</td>
</tr>
<tr>
<td>Tasmania</td>
<td>12.4</td>
</tr>
<tr>
<td>E Victoria</td>
<td>12.0</td>
</tr>
<tr>
<td>S Queensland</td>
<td>9.3</td>
</tr>
<tr>
<td>South Australia Country</td>
<td>9.1</td>
</tr>
<tr>
<td>ACT</td>
<td>8.1</td>
</tr>
<tr>
<td>S WA</td>
<td>7.5</td>
</tr>
<tr>
<td>Reesina</td>
<td>7.4</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>6.3</td>
</tr>
<tr>
<td>Greater WA</td>
<td>5.6</td>
</tr>
</tbody>
</table>

The distribution of employment on a regional level is shown in Figure 30. Employment in Accommodation, cafés and restaurants is heavily dominated by the capital cities Sydney, Melbourne and Brisbane. Other significant regions are Perth, the NSW north coast and central and northern Queensland.

1.6.2 Projected employment growth

Projections released by the Australian Government (2007) for employment growth to 2011–12 are shown in Figure 31.

Employment growth in the Accommodation, cafés and restaurants industry is expected to exceed growth across all industries by 0.2 percentage points, growing at 1.5 per cent per annum compared with 1.3 per cent per annum across all sectors.

Within the Accommodation, cafés and restaurants industry, the fastest growing industry classes are expected to be Pubs, taverns and bars and Cafés and restaurants, growing at annual rates of 2.2 per cent and 1.9 per cent respectively.

Employment growth in Accommodation services and Clubs is expected to be significantly below the average, with annual growth of 0.6 per cent and 0.3 per cent respectively in these classes.

Figure 31: Projected growth in employment to 2011–12

![Annual growth rate (per cent)](image)


1.6.3 Full-time versus part-time

Figure 32 shows the breakdown of employment in the Accommodation, cafés and restaurants industry by full-time and part-time employment. Overall, in May 2008, 50.8 per cent of employees in the industry were full-time and 49.2 per cent were employed on a part-time basis only.

This Australia-wide total masks considerable variation across jurisdictions. In New South Wales, Northern Territory and Queensland, there is a majority of full-time over part-time employment in the Accommodation, cafés and restaurants industry, with 55.5 per cent, 65.5 per cent and 51.2 per cent of employment respectively being full-time. The other
states have a majority of part-time employees, with 47.6 per cent of Victorian and 42.5 per cent of South Australian employment in the industry being on a full-time basis.

The data also shows that the Accommodation, cafés and restaurants industry has a higher-than-average reliance on part-time employment relative to other industries in the economy. While 50.2 per cent of employment in the industry was on a full-time basis, across all industries the percentage of workers who are full-time is considerably higher, at 71.2 per cent in May 2008.

Figure 32: Full-time vs. part-time employees by jurisdiction, May 2008

Per cent

Figure 33 shows the split between part-time and full-time workers for each of the classes that comprise the industry.

**Figure 33: Employment by industry group and work mode, May 2008**

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Full-time</th>
<th>Part-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafés, restaurants and takeaway food services</td>
<td>146.3</td>
<td>43.8</td>
</tr>
<tr>
<td>Pubs, taverns and bars</td>
<td>45.6</td>
<td>31.9</td>
</tr>
<tr>
<td>Accommodation</td>
<td>55.8</td>
<td>41.1</td>
</tr>
<tr>
<td>Clubs (Hospitality)</td>
<td>266.4</td>
<td>21.6</td>
</tr>
</tbody>
</table>

Note: Numbers presented in this figure have been calculated on the basis of ANZSIC 2006 industry classifications. Total employment in the industry will therefore not exactly match employment numbers in section 1.6.1. The reason for this is that the ANZSIC 2006 figures include Take away food services, which were previously excluded from the industry in ANZSIC 1993 classifications.


We can see that the greatest reliance on part-time workers comes from Cafés and restaurants. In Pubs, taverns and bars, the split between full-time and part-time is more even, with Accommodation and Clubs tending to use more full-time rather than part-time employees.

**Permanent/fixed term versus casual employees**

Figure 34 shows the breakdown of the Accommodation, cafés and restaurants workforce into permanent/fixed term and casual employees. As at May 2006, 56 per cent of employees in the industry were employed on a casual basis. This compares with only 20.3 per cent of workers across all industries.
Drivers of demand and supply of part-time and casual employment in the Accommodation, cafés and restaurants industry

As an industry that uses a high proportion of its employees in the form of part-time or casual labour, it is useful to examine some of the factors driving this trend over time. A recent Productivity Commission staff working paper (Abhayaratna et al 2008) entitled Part Time Employment: The Australian Experience does just this. The report outlines several drivers of demand for part-time and casual workers by industry. These are discussed below.

During the 1970s and 1980s, state and federal awards were quite prescriptive regarding part-time employment. Restrictions on the use of part-time included:

- upper and lower limits on the number of hours worked by part-time workers;
- any use of part-time employees requiring union agreement; and
- part-time employees were to be engaged only when full-time employees could not be found.

Over time, changes to the workplace relations system have relaxed these restrictions and made it possible for employers to make greater use of part-time and casual workers.

The increasing use of casual labour may have contributed to the reduction in labour costs per firm because casual workers are not entitled to the same non-wage benefits as are permanent workers.

However, the extent of the reduction in labour costs is not so clear-cut, with casual workers also being entitled to a casual loading which ranges between 15 per cent and 25 per cent.
Another potential benefit arising from the use of part-time labour is the ability for business enterprises to be more flexible in response to changing business conditions such as upswings and downswings in the business cycle, seasonality or other peak demand periods. For many business enterprises operating within the Accommodation, cafés and restaurants industry, demand is highly seasonal. For example, many accommodation businesses operating in popular tourist destinations will have a summer peak period. Many cafés, restaurants, pubs and clubs are also likely to be significantly busier on weekends than on weekdays. The use of part-time employees enables these businesses to match the degree of labour supplied to the commensurate workload at any point in time and thus improve labour utilisation rates, something which would not be possible, or would be more difficult, through the use of only permanent full-time employees.

On the supply side, there are a number of reasons why some people prefer to work part-time hours. The Household, Income and Labour Dynamics in Australia (HILDA) Survey asks people why they work part-time and the results are presented for men and women in Figure 35 and Figure 36 below.

**Figure 35: Reasons for working part-time, percentage of part-time male workers, 2005**

![Figure 35: Reasons for working part-time, percentage of part-time male workers, 2005](image)

The results show that in the 15- to 24-year age group, the dominant reason for working part-time hours is involvement in some form of education. In the 25- to 34-year group, the dominant reason for males is still education, but for women the main reason is caring for children. For women, caring for children as the main reason for working part-time peaks in the 35- to 44-year age group where 59 per cent of all part-time working women cited this as the reason they worked part-time.

Once people's educational and child rearing commitments have been met, the dominant reason for working part-time is simply the preference to work part-time hours. This preference tends to intensify as people get older.
While these results cover part-time workers from all industries, not just Accommodation, cafés and restaurants, they are still likely to be representative of the part-time workers in Accommodation, cafés and restaurants, particularly in the younger age groups which dominate employment in the industry.

**Figure 36: Reasons for working part-time, percentage of part-time female workers, 2005**

<table>
<thead>
<tr>
<th>Reason</th>
<th>15–24 years</th>
<th>25–34 years</th>
<th>35–44 years</th>
<th>45–54 years</th>
<th>55–64 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caring for children</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prefer part-time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can’t find full-time work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


### 1.6.4 Rate of underemployment

The high rate of part-time work in Accommodation, cafés and restaurants masks a degree of underutilisation of the workforce with a large proportion of employees in the industry wishing they could have more work than they currently have. The underemployment rate is defined as the number of part-time workers who would like to work more hours as a proportion of the entire workforce.

Figure 37 shows that 13.2 per cent of employees in the Accommodation, cafés and restaurants industry are underemployed or work fewer hours than they would like. This is higher than all other industries, and only Retail trade (11.2 per cent) and Cultural and recreational services (10.7 per cent) come close to the levels of underemployment in Accommodation, cafés and restaurants.
Figure 37: Underemployment by industry, May 2008

<table>
<thead>
<tr>
<th>Industry</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>0.9</td>
</tr>
<tr>
<td>Mining</td>
<td>3.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.2</td>
</tr>
<tr>
<td>Construction</td>
<td>11.2</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>13.2</td>
</tr>
<tr>
<td>Accommodation, cafés and restaurants</td>
<td>13.2</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>1.5</td>
</tr>
<tr>
<td>Property and business services</td>
<td>5.7</td>
</tr>
<tr>
<td>Health and community services</td>
<td>7.3</td>
</tr>
<tr>
<td>Cultural and recreational services</td>
<td>10.7</td>
</tr>
</tbody>
</table>


1.6.5 Gender

Figure 38 shows the split between male and female employees across the four classes that comprise the industry.

Figure 38: Employment by industry class and gender, May 2008

('000s)

Note: Numbers presented in this figure have been calculated on the basis of ANZSIC 2006 industry classifications. Total employment in the industry will therefore not exactly match employment numbers in section 1.6.1. The reason for this is that the ANZSIC 2006 figures include Take away food services, which were previously excluded from the industry in ANZSIC 1993 classifications.

Apart from Pubs, taverns and bars, which had a relatively even gender split, the Accommodation, cafés and restaurants industry is heavily biased towards the use of female workers.

In Accommodation services, 66.5 per cent of all employees were female. In the case of Clubs, females made up 63.4 per cent of the workforce. The proportion declines to about 55.5 per cent in the case of Cafés and restaurants and is lowest for Pubs, taverns and bars, where 48.8 per cent of employees were female.

**Figure 39: Employment share by gender and work mode, May 2008**

<table>
<thead>
<tr>
<th>Employment share (per cent)</th>
<th>Accommodation, cafés and restaurants</th>
<th>All industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time males</td>
<td>26.8</td>
<td>46.4</td>
</tr>
<tr>
<td>Part-time males</td>
<td>16.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Full-time females</td>
<td>24.1</td>
<td>24.8</td>
</tr>
<tr>
<td>Part-time females</td>
<td>32.6</td>
<td>20.3</td>
</tr>
</tbody>
</table>


Figure 39 further splits the male and female workforce further into full-time and part-time, and compares the composition of the Accommodation, cafés and restaurants industry with that of all industries.

The largest group in the Accommodation, cafés and restaurants industry are part-time females, making up 32.6 per cent of employment in the industry. This compares with only 20.3 per cent across all industries. While full-time males comprise 46.4 per cent of all employees in the economy, they are relatively underrepresented in Accommodation, cafés and restaurants, where they make up only 26.8 per cent of all employees and are only a marginally larger group than full-time females, who comprise 24.1 per cent of the industry. Compared with all industries, part-time male employees comprise a larger percentage of the Accommodation, cafés and restaurants industry, making up 16.5 per cent of the workforce compared with 8.5 per cent across all industries.

In terms of growth, the fastest growing group in the industry has been females, with a total of 65,500 jobs created in the 10 years to May 2008 (see Figure 40). Of these, 33,400 were on a full-time basis and 32,100 were part-time. In contrast, only 31,900 jobs were created in the industry for males, and the vast majority, 28,200, were on a part-time basis.
**Figure 40: Ten-year growth in employment to May 2008**

<table>
<thead>
<tr>
<th>Growth in employment (‘000s)</th>
<th>Males – Total</th>
<th>Males – PT</th>
<th>Females – Total</th>
<th>Females – PT</th>
<th>Females – Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.9</td>
<td>28.2</td>
<td>33.4</td>
<td>32.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


### 1.6.6 Age profile

The age profile of the industry is shown in Figure 41. Employees in the Accommodation, cafés and restaurants industry are relatively young, with the two largest age categories in terms of numbers being the 20- to 24-year and 25- to 34-year age groups. Older workers are relatively few by comparison.

**Figure 41: Distribution of age, May 2008**

<table>
<thead>
<tr>
<th>Age distribution (‘000s)</th>
<th>120</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–19</td>
<td>107</td>
</tr>
<tr>
<td>20–24</td>
<td>110.7</td>
</tr>
<tr>
<td>25–34</td>
<td>81.8</td>
</tr>
<tr>
<td>35–44</td>
<td>70.2</td>
</tr>
<tr>
<td>45–54</td>
<td>24.2</td>
</tr>
<tr>
<td>55–59</td>
<td>15.2</td>
</tr>
<tr>
<td>60–64</td>
<td>4.8</td>
</tr>
</tbody>
</table>


Figure 42 shows the age distribution of employees in the Accommodation, cafés and restaurants industry against all industries.
A key observation is that the Accommodation, cafés and restaurants industry makes use of young workers at a rate that is around double the utilisation rate across all industries. About 16 per cent of employees in Accommodation, cafés and restaurants are aged between 15 and 19, compared with only 7.7 per cent across all industries in the economy. The disparity continues in the 20- to 24-age group, with 21.8 per cent of employees in Accommodation, cafés and restaurants falling into this group compared with 11.6 per cent across all industries. The distribution evens out in the 25- to 34-year age group, but then declines more rapidly relative to the distribution across all industries, reflecting the fact that significantly fewer people in these age groups are employed in the industry.

The relatively youthful age profile of the Accommodation, cafés and restaurants industry is further reflected by the proportion of the industry’s workforce that are classified as junior versus adult workers. Figure 43 shows that 9.7 per cent of the Accommodation, cafés and restaurants industry is made of junior workers compared with only 6.1 per cent across all industries.
1.6.7 Duration of employment

The degree of attachment of Accommodation, cafés and restaurant workers to their jobs compared with those in other industries is shown in Figure 44 below.

The data in this figure were collected as part of the Labour Mobility survey which was conducted in February 2006 as a supplement to the monthly labour force survey.

The data show that workers in the Accommodation, cafés and restaurants industry spend significantly less time in any given job in the industry compared with the average across all industries. For example, 38 per cent of employees in Accommodation, cafés and restaurants have been in their current position for less than 12 months. This is compared with 21.3 per cent across all industries. Conversely, while 25 per cent of all workers have been in their current position for longer than 10 years, in the Accommodation, cafés and restaurants industry, only 8.1 per cent of employees have been in their present role for in excess of ten years.

The shorter employment duration in Accommodation, cafés and restaurants is related to the heavy reliance of the sector on part-time and casual labour, with many workers in the sector moving to other industries as they are able to find full-time employment or as they complete their tertiary studies.

### 1.6.8 Unemployment

Figure 45 shows the number of unemployed workers who were previously employed in the Accommodation, cafés and restaurants industry.

**Figure 45: Number of unemployed previously employed in Accommodation, cafés and restaurants, May 2001 to May 2008**

![Graph showing number of unemployed previously employed in Accommodation, cafés and restaurants from 2001 to 2008](image)


The data show a strong and consistent downtrend between 2001 and 2008, reflecting a period of solid economic growth and a general reduction in the overall unemployment rate.
1.7 Occupational profile, productivity and wage bargaining

1.7.1 Occupations

As at February 2007, the largest occupational group employed in the Accommodation, cafés and restaurants industry was waiters, of which there were 91,000 (see Figure 46). The next three largest occupational groups were bar attendants (50,800), kitchen hands (42,300) and chefs (42,000).

Figure 46: Top 20 employing occupations, February 2007

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number employed ('000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waiters</td>
<td>91.0</td>
</tr>
<tr>
<td>Bar attendants</td>
<td>50.8</td>
</tr>
<tr>
<td>Kitchenhands</td>
<td>42.3</td>
</tr>
<tr>
<td>Chefs</td>
<td>42.0</td>
</tr>
<tr>
<td>Restaurant &amp; catering managers</td>
<td>33.5</td>
</tr>
<tr>
<td>Cooks</td>
<td>23.8</td>
</tr>
<tr>
<td>Hotel &amp; motel managers</td>
<td>23.0</td>
</tr>
<tr>
<td>Cleaners</td>
<td>18.8</td>
</tr>
<tr>
<td>Other elementary service workers</td>
<td>18.3</td>
</tr>
<tr>
<td>Sales assistants</td>
<td>16.5</td>
</tr>
<tr>
<td>Receptionists</td>
<td>15.3</td>
</tr>
<tr>
<td>Project and program administrators</td>
<td>5.5</td>
</tr>
<tr>
<td>Other hospitality &amp; accommodation managers</td>
<td>5.5</td>
</tr>
<tr>
<td>Club managers (licensed premises)</td>
<td>5.5</td>
</tr>
<tr>
<td>Shop managers</td>
<td>4.8</td>
</tr>
<tr>
<td>Caravan park and camping ground managers</td>
<td>4.3</td>
</tr>
<tr>
<td>Hotel service supervisors</td>
<td>4.0</td>
</tr>
<tr>
<td>Fast food cooks</td>
<td>3.8</td>
</tr>
<tr>
<td>Handypersons</td>
<td>3.5</td>
</tr>
</tbody>
</table>


In Table 20 we rank the same occupations by the ANZSCO skill levels. The ANZSCO assigns occupations to five skill levels on the basis of required qualifications and experience, with a rating of 1 indicating the highest skill level and a rating of 5 the lowest. The skill levels are commensurate with the following qualification levels:

- Skill level 1 – a bachelor’s degree or higher qualification.
- Skill level 2 – an associate degree, associate diploma or diploma.
- Skill levels 3 and 4 – a certificate II and certificate III.
- Skill level 5 – a certificate I or the completion of compulsory secondary education.

The top 20 occupations in Accommodation, cafés and restaurants are comprised predominantly of lower skill level occupations. There are no occupations within the industry sector that are deemed to be of skill level 1. The highest skilled group of workers in the industry were those in management and administrative positions and chefs, of which there
were 123,600 in 2007. Employment in the industry is dominated by occupations with skill level 4 and 5, of which there were 160,600 and 104,200 respectively.

Table 20: Top 20 employing occupations ranked by ANZSCO skill level

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Thousands</th>
<th>ANZSCO skill level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chefs</td>
<td>42.0</td>
<td>2</td>
</tr>
<tr>
<td>Restaurant and catering managers</td>
<td>33.5</td>
<td>2</td>
</tr>
<tr>
<td>Hotel and motel managers</td>
<td>23.0</td>
<td>2</td>
</tr>
<tr>
<td>Project and program administrators</td>
<td>5.5</td>
<td>2</td>
</tr>
<tr>
<td>Other hospitality and accommodation managers</td>
<td>5.5</td>
<td>2</td>
</tr>
<tr>
<td>Club managers (licensed premises)</td>
<td>5.0</td>
<td>2</td>
</tr>
<tr>
<td>Shop managers</td>
<td>4.8</td>
<td>2</td>
</tr>
<tr>
<td>Caravan park and camping ground managers</td>
<td>4.3</td>
<td>2</td>
</tr>
<tr>
<td>Cooks</td>
<td>23.8</td>
<td>3</td>
</tr>
<tr>
<td>Hotel service supervisors</td>
<td>4.0</td>
<td>3</td>
</tr>
<tr>
<td>Waiters</td>
<td>91.0</td>
<td>4</td>
</tr>
<tr>
<td>Bar attendants</td>
<td>50.8</td>
<td>4</td>
</tr>
<tr>
<td>Receptionists</td>
<td>15.3</td>
<td>4</td>
</tr>
<tr>
<td>Handypersons</td>
<td>3.5</td>
<td>4</td>
</tr>
<tr>
<td>Kitchen hands</td>
<td>42.3</td>
<td>4</td>
</tr>
<tr>
<td>Cleaners</td>
<td>18.8</td>
<td>5</td>
</tr>
<tr>
<td>Other elementary service workers</td>
<td>18.3</td>
<td>5</td>
</tr>
<tr>
<td>Sales assistants</td>
<td>15.5</td>
<td>5</td>
</tr>
<tr>
<td>Other miscellaneous labourers and related workers</td>
<td>5.5</td>
<td>5</td>
</tr>
<tr>
<td>Fast food cooks</td>
<td>3.8</td>
<td>5</td>
</tr>
</tbody>
</table>


1.7.2 Qualifications

The Accommodation, cafés and restaurants industry is relatively low skilled, with a low proportion of individuals employed in the industry having completed any form of non-school qualification.

Figure 47 shows that only 42.2 per cent of workers in the industry have completed a non-school qualification. The most common form of qualification is a TAFE certificate.

Over 20 per cent of employees in the sector have not progressed beyond year 10 of secondary school, while 28.1 per cent have successfully completed year 12.
1.7.3 Training

According to the National Centre for Vocational Education Research (NCVER) (2008), the vast majority of employers in the Accommodation, cafés and restaurants industry provide some form of training, with most of it provided on an informal basis. While 54 per cent of all industries are engaged in some way with the vocational education and training (VET) system, the proportion in Accommodation, cafés and restaurants is below average, with just under 50 per cent of employers utilising VET.

Figure 48 shows the number of hours of training conducted by industry in 2005. In 2005, 2.1 million hours of training were conducted in Accommodation, cafés and restaurants compared with an average of 7.9 million hours across all industries.
Figure 48: Total training hours completed by industry, 2005

Figure 49 breaks down the total training hours by industry in Figure 48 into training hours per employee by industry, by dividing the data presented above by the total number of employees per industry, utilising data from the labour force survey.

Figure 49 shows that employees in the Accommodation, cafés and restaurants industry did about 4.3 hours per person of training in 2005. This is significantly below the level of training per person across all industries of 13.4 hours per person in 2005.

Figure 49: Training hours completed per employee, by industry, 2005

Figure 50 shows the total expenditures on training made where the cost was incurred by the participant, in 2005. Again, Accommodation, cafés and restaurants were found to be lagging behind the average across all industries by a significant margin, with total expenditures of just $3.9 million, compared with the average across all industries of $9.8 million.

In addition, the ABS estimates that the amount spent on training by employers in the Accommodation, cafés and restaurants industry amounted to $147 per employee, compared with an average of $458 per employee across all industries in 2003.

Figure 50: Total training costs incurred by participants by industry, 2005

Figure 51 shows the total training costs incurred per person by industry. In Accommodation, cafés and restaurants, each employed individual spent an average of $790 on training. This is 50 per cent of the amount spent per person across all industries, which was $15.80 in 2005.
### Figure 51: Training costs per person incurred by participants, by industry, 2005

<table>
<thead>
<tr>
<th>Industry</th>
<th>Training cost (dollars per person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>3.3</td>
</tr>
<tr>
<td>Mining</td>
<td>16.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.4</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>0</td>
</tr>
<tr>
<td>Construction</td>
<td>5.7</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>6.5</td>
</tr>
<tr>
<td>Retail trade</td>
<td>6.5</td>
</tr>
<tr>
<td>Accommodation, cafés and restaurants</td>
<td>7.8</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>7.3</td>
</tr>
<tr>
<td>Communication services</td>
<td>7.5</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>20.0</td>
</tr>
<tr>
<td>Property and business services</td>
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</tr>
<tr>
<td>Government administration and defence</td>
<td>25.0</td>
</tr>
<tr>
<td>Education</td>
<td>21.9</td>
</tr>
<tr>
<td>Health and community services</td>
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</tr>
<tr>
<td>Cultural and recreational services</td>
<td>17.7</td>
</tr>
<tr>
<td>Personal and other services</td>
<td>21.2</td>
</tr>
<tr>
<td>All Industries</td>
<td>15.6</td>
</tr>
</tbody>
</table>


### 1.7.4 Labour productivity

According to ABS estimates, labour productivity in the Accommodation, cafés and restaurants industry has lagged that in other market industries by a considerable margin.

### Figure 52: Labour productivity, 1990–91 to 2005–06

Figure 52 shows that while labour productivity has increased by 26.7 per cent in Accommodation, cafés and restaurants, overall labour productivity across all market industries increased by 42.1 per cent, from 1990–91 to 2005–06.

Several reasons can be put forward to potentially explain this underperformance:

- The nature of operations in the industry are such that there are technical or physical constraints preventing large increases in labour productivity.
- Relatively lower qualified staff in the Accommodation, cafés and restaurants industry has acted as an impediment to productivity improvements.
- A long period of uninterrupted economic growth and increasing prosperity after the recession of the early 1990s may have delivered employment opportunities in sectors of the economy that offer greater remuneration and job satisfaction, leaving a smaller and lower-quality pool of labour for the Accommodation, cafés and restaurants industry.

### 1.7.5 Unionisation of the workforce

Since 1994, trade union membership has been declining across all industries in Australia, including Accommodation, cafés and restaurants.

**Figure 53: Rate of trade union membership, 1994 to 2007**

In 1994, the rate of union membership of the Australian workforce was 35 per cent. This had declined 18.9 per cent by 2007, a decline of 46 per cent in 13 years.

Over the same period, unionisation of the Accommodation, cafés and restaurants workforce has declined from 19.3 per cent to 6.2 per cent, a decline of nearly 68 per cent. The Accommodation, cafés and restaurants industry had a relatively low rate of trade union membership to begin with, but this has not prevented it from declining at an above-average rate.
While overall 6.2 per cent of the Accommodation, cafés and restaurants industry was unionised in 2007, the rate of union membership was 7 per cent for males, compared with just 5.5 per cent for females working in the industry.

### 1.7.6 Wage bargaining

Figure 54 shows the proportion of workers in Accommodation, cafés and restaurants under various types of labour market agreements. Compared with other industries, workers in Accommodation, cafés and restaurants are less likely to enter into a state or federally registered collective agreement. They are also significantly more likely to be covered by an award containing only minimum terms and condition of employment, with over 57 per cent of all employees covered by the award only. The next most common form of wage bargaining in the Accommodation, cafés and restaurants industry are unregistered individual agreements, which cover an additional 26.3 per cent of employees.

**Figure 54: Type of agreement in wage bargaining, May 2006**

1.8 Hours worked, wages and earnings

1.8.1 Hours worked

Figure 55 shows that the average number of full-time paid hours worked in the Accommodation, cafés and restaurants industry was 40.1 hours in May 2006. This is only slightly below the average across all industries of 40.2 hours.¹

Workers in the Accommodation, cafés and restaurants industry are working on average for more hours than some other industries such as Education, Health and community services, Cultural and recreational services, among others, and substantially less than workers in Mining, Transport and storage and Construction.

![Figure 55: Average total hours of work paid for per week by industry, full-time employees, May 2006](image)

Within Accommodation, cafés and restaurants, there is also some variation in hours worked between industry classes. Figure 56 shows this.

¹ There is no equivalent published information from the ABS Employee Earnings and Hours survey to allow inter industry comparisons of hours worked by part-time employees.
The industry class with the most hours worked is Cafés and restaurants, where the average full-time employee was paid for 41 hours. The two classes where full-time employees worked the least are Clubs and Accommodation, where average hours worked were 39.3 and 39.6 respectively.

Figure 57 shows full-time hours worked by industry, industry class and sex. In all categories, full-time males are working longer hours on average than full-time females. The margin is greatest for Pubs, taverns and bars, where on average full-time men are working 3.5 more hours than females, and narrowest for Clubs where the difference in average hours worked is only 1.1 hours.
The roles are reversed when we consider hours worked for part-time employees. Across both the whole economy and the Accommodation, cafés and restaurants industry, part-time women are working longer hours on average than men. The largest disparity in average working hours was evident in Clubs, where females worked an average 17.1 part-time hours compared with 12.7 hours for males. The exception to the rule was Pubs, taverns and bars, where part-time males worked an average of 20.7 hours compared with 17.8 hours for females.

Figure 58: Average part-time hours worked by sex, May 2008

Figure 59: Average total hourly cash earnings, May 2006

1.8.2 Wages and earnings

Wage rates

Hourly wage rates for the industry and each industry class are shown in Figure 59.
Compared with all industries, average hourly wage rates in the Accommodation, cafés and restaurants industry are low. While the average hourly wage rate across all industries of the economy was $25.11 in May 2006, wage rates in the industry classes comprising Accommodation, cafés and restaurants were between 17.2 per cent and 26.3 per cent below the average wage rate across all industries.

The two lowest paid classes per hour are workers in Cafés and restaurants and Accommodation, where the average hourly wage rate was $18.60 or 26.3 per cent below the wage rate across all industries.

The class where the hourly wage rate was highest is Pubs, taverns and bars ($20.80) closely followed by Clubs ($20.40).

**Figure 60: Average ordinary-time hourly cash earnings, permanent vs. casual workers, May 2006**

The difference in hourly wage rates between permanent and casual workers is shown in Figure 60. It should be noted that the hourly cash wage rate includes all cash earnings including any additional casual loading that may apply.

The difference between ordinary-time hourly total cash earnings between permanent or fixed-term employees and casual employees in the Accommodation, cafés and restaurants industry is very small ($0.10) compared with a difference of $4.60 between permanent/fixed-term and casual employees across all industries.

Differences in average ordinary-time hourly cash earnings between adult and junior employees in the Accommodation, cafés and restaurants industry are shown in Figure 61. Adult workers in the industry earned an average of $18.80 per hour in May 2006, compared with $11.80 per hour for junior workers.

In the Accommodation, cafés and restaurants industry, junior wage rates were 62.8 per cent of the adult wage. Junior wage rates across all industries were 44.4 per cent
of the adult wage rate, reflecting the higher earning potential of adult workers across all industries compared with those in Accommodation, cafés and restaurants.

**Figure 61: Average ordinary-time hourly cash earnings, adult vs. junior workers, May 2006**

![Bar chart showing average ordinary-time hourly cash earnings for adult and junior workers in Accommodation, cafés and restaurants and all industries, May 2006.](chart)


Figure 62 shows the differences in ordinary-time hourly cash earnings for the Accommodation, cafés and restaurants industry by the method of wage bargaining. The figure shows that the highest average hourly wage rate in the industry is earned by those workers on unregistered individual agreements who earned an hourly wage rate of $18.50. The lowest hourly wage rates earned by workers in the industry were those who were on federally registered and state registered collective agreements, who earned $17.70 and $16.30 per hour respectively.

**Figure 62: Average ordinary-time hourly cash earnings by method of setting pay, May 2006**

<table>
<thead>
<tr>
<th>Method of Setting Pay</th>
<th>Dollars per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award only</td>
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</tr>
<tr>
<td>Total</td>
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<tr>
<td>Collective agreement (Federally-registered)</td>
<td>18.20</td>
</tr>
<tr>
<td>Individual agreement (Federally-registered)</td>
<td>18.10</td>
</tr>
<tr>
<td>Collective agreement (State-registered)</td>
<td>18.0</td>
</tr>
<tr>
<td>Individual agreement (unregistered)</td>
<td>17.70</td>
</tr>
<tr>
<td>Collective agreement (unregistered)</td>
<td>16.30</td>
</tr>
<tr>
<td>Total</td>
<td>18.30</td>
</tr>
</tbody>
</table>

The data presented in this section relies on both published and unpublished data from the ABS Employee Hours and Earnings (EEH) survey. While the information is presented at the industry and industry class level, the group of employees who are primarily of interest in this study are low-paid workers. To some extent, their characteristics are obscured by the inclusion of all employees in the statistics. This is a weakness in the data. One solution might be to utilise purchased unit record data, although the smaller sample sizes of low-paid employees will lead to less reliability and accuracy in the results.

**Earnings**

Figure 63 shows the average weekly full-time adult total earnings for both males and females in the Accommodation, cafés and restaurants industry between 1990 and 2007.

Male average weekly earnings have increased from $439 per week in 1990 to $913 in 2007. This is equivalent to an annualised rate of growth of 4.4 per cent per annum in nominal terms. In 2007, females in the industry earned 12.2 per cent less than their male counterparts, bringing in an average of $801 per week. Average adult full-time total weekly earnings for females in the industry rose from $402 in 1990 to $801, an annualised nominal growth rate of 4.1 per cent.

After adjusting for the effects of inflation, male earnings rose at an annualised real rate of 1.8 per cent per annum and female earnings rose at a real rate of 1.6 per cent per annum. This is compared with a real rate of growth across all industries of 1.5 per cent per annum for males and 1.7 per cent for females.

Figure 63: Average adult full-time weekly total earnings, males vs. females, 1990–2007

![Graph showing average weekly earnings for males vs. females from 1990 to 2007](image)


Figure 64 and Figure 65 show the male and female time series of average adult weekly total earnings against the equivalent series across all industries. Both figures show that there has been an increase in the gap between full-time earnings in Accommodation, cafés and restaurants compared with all industries over the last 17 years for both males and females.
Figure 64: Average adult male full-time weekly total earnings, Accommodation, cafés and restaurants vs. all industries, 1990–2007

Figure 65 compares average full-time earnings in Accommodation, cafés and restaurants with other industries. The figure shows that average adult weekly full-time total earnings in Accommodation, cafés and restaurants are the second lowest across all industries of the economy, only marginally surpassing Retail trade, where workers earned $857 per week as at May 2007. Compared with the average across all industries of $1136, full-time adult total
earnings in Accommodation, cafés and restaurants of $868 were 23.6 per cent below the average. Earnings in the industry are also about 53 per cent below the level recorded by the booming mining industry.

Within the Accommodation, cafés and restaurants industry, the highest paid industry class was Pubs, taverns and bars, where average full-time non-managerial earnings were $832 per week as at May 2006 (see Figure 67). The two lowest paid industry classes were Cafés and restaurants and Accommodation, paying their full-time workers on average $761 and $737 respectively in May 2006.

Figure 66: Average adult full-time weekly total earnings by industry, May 2007

Figure 67: Industry class breakdown of average full-time weekly total cash earnings, May 2006
Figure 68 plots the distribution of income generated with the Accommodation, cafés and restaurants industry, compared with that of all industries combined.

**Figure 68: Distribution of average full-time weekly total cash earnings, May 2006**

The figure shows that the majority of workers in Accommodation, cafés and restaurants are earning between $600 and $800 per week. The figure shows that a significantly higher proportion of employees in Accommodation, cafés and restaurants earn below $600 per week, and a significantly lower proportion earn more than $1300 per week relative to the average across all industries.

Median earnings in Accommodation, cafés and restaurants in May 2006 were $729. In all industries, median earnings were $926 per week. The tenth percentile in Accommodation, cafés and restaurants, that is, the lowest paid 10 per cent of workers, earned less than $540 per week. Across all industries, the tenth percentile earned less than $607 per week.

In a report prepared by McGuinness et al (2007), entitled Characteristics of Minimum Wage Employees, data are presented and reproduced in Figure 69 showing the percentage of full-time employees who are classified as low-wage by industry. In this study, workers were classified as low-wage if they earned within 10 per cent of the Federal Minimum Wage.

The figure shows that 19.6 per cent of full-time employees are classified as low-wage employees, compared with 13.4 per cent across all industries. In addition, the only industry where the proportion of low-paid employees exceeded Accommodation, cafés and restaurants was in Agriculture, in which 19.7 per cent of full-time employees were classified as low-paid.

Source: ABS, Employee Earnings and Hours, Catalogue No. 6306.0, Canberra, ABS, 2007.
Figure 69: Percentage of low-paid full-time employees by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Low-paid full-time employees (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>19.7</td>
</tr>
<tr>
<td>Mining</td>
<td>0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.5</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>4.0</td>
</tr>
<tr>
<td>Construction</td>
<td>4.5</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>8.7</td>
</tr>
<tr>
<td>Retail trade</td>
<td>11.3</td>
</tr>
<tr>
<td>Accommodation, cafés and restaurants</td>
<td>19.6</td>
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<tr>
<td>Transport and storage</td>
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<tr>
<td>Communication services</td>
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<td>Finance and insurance</td>
<td>1.7</td>
</tr>
<tr>
<td>Property and business services</td>
<td>1.3</td>
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<td>Government administration and defence</td>
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<tr>
<td>Education</td>
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<td>Health and community services</td>
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<td>Cultural and recreational services</td>
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<td>Personal and other services</td>
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<tr>
<td>All Industries</td>
<td>13.4</td>
</tr>
</tbody>
</table>

References


2. Accommodation, cafés and restaurants industry profile – qualitative overview

Colmar Brunton Social Research
August 2008
2.1 Executive summary

2.1.1 Introduction

A series of targeted focus groups was conducted covering the Accommodation, cafés and restaurants (ACR) industry across four states with employers (owners and senior managers), current low-paid employees, and employees who had recently left the ACR industry.

The purpose of this research is to build on the Australia Fair Pay Commission's knowledge of labour market issues by profiling the employers and employees of this industry, as well as to explore how changes in minimum wages impact the industry.

2.1.2 Key findings

Industry overview

Business growth in the Accommodation, cafés and restaurants (ACR) industry relies heavily on levels of household disposable income. Given that much of the industry's income derives from discretionary expenditure among consumers, growth can be negatively affected by cost-of-living pressures leading to lower levels of disposable income. When households have less disposable income, expenditure on services and consumables in the ACR industry tends to decrease.

Business growth can be further slowed by low levels of consumer confidence in the national and/or local economy. Uncertainty about economic conditions and earning capacity deters consumers from spending their disposable income.

There was considerable variation in levels of business growth and optimism evident across the locations in this research. This was most obviously due to the current and projected performance of the local economy. Most employers in the eastern states reported business growth to be slow or stable, while employers in Perth reported relatively strong growth.

All employers, including those in Western Australia, agreed that the rising cost of inputs was making it difficult to maintain profit margins. Most employers reported that their consumable inputs, including food and alcohol, equal approximately one-third of total costs to the business. For items that make up a significant proportion of operating expenditure, even small increases in costs have a noticeable impact on profit margins.

Businesses operating in tourist-driven markets (including the Gold Coast and Hervey Bay) are affected by a number of variables that are less of an issue for businesses in the larger cities. For example, the relatively strong Australian dollar and slowing international and Australian economies are reducing the level of expenditure on Australian holiday destinations. Therefore, there are fewer tourists visiting these tourist-driven areas, and hence a reduced number of potential customers.

All employers reported that seasonality and weather conditions affect their business to some degree. In local economies driven by tourist expenditure, traditionally busier periods or 'peak periods' include school holidays and public holiday weekends. Many employers in coastal areas, such as the Gold Coast and Hervey Bay, commented that winter 2008 was the slowest season for some time. This was compounded by a relatively slow summer period when unfavourable weather conditions deterred holiday-makers from visiting (and hence from spending money on accommodation, and in cafés and restaurants).
Legislation introduced by the federal government and the various state governments has also reportedly negatively impacted the industry. In particular, legislation pertaining to alcohol, tobacco and gaming has affected almost all operators in the industry, mainly licensed clubs, pubs and taverns.

**Business operations**

Generally, larger participating businesses (in particular larger hotels, catering businesses and theme parks) reported that they operated in a formal way. The majority of these businesses have structured budgets, procedures, formal rosters and staff training, including formalised induction training. Small and medium businesses tended to be less formalised in their approach to business operations.

Businesses operating in the ACR industry typically employ only a small core team of permanent full-time staff, usually in managerial positions, or in those which require qualifications (such as chefs’ positions). While larger operators also employ staff on a permanent full-time basis for lower level positions, in all participating larger businesses there were high levels of permanent part-time and casual staff responsible for the majority of service delivery.

Employers expressed a preference for a casual and part-time workforce, as this affords flexibility in business operations. Employing staff on a casual or part-time basis was reportedly more affordable, as if business increases or declines there is the flexibility to increase or decrease the working hours of casual staff accordingly.

The relative proportions of permanent full-time and part-time/casual staff varied across the industry. Hotels, motels, pubs and bars typically employed higher numbers of permanent full-time staff relative to cafés, restaurants, and fast-food outlets.

Employers reported that labour costs in the ACR industry equal approximately one-third of operating expenses. Discussion with the employer representatives identified regular monitoring of their wages bill (on at least a weekly basis). Many employers reported that one of the strategies they use to control labour costs is the employment of casual staff.

Most employers indicated that the bulk of their (predominantly unskilled) workforce are employed and paid according to a relevant award. It was also relatively common for employers to have their more highly skilled and managerial staff employed on individual agreements. A number of participating employers employ and pay their staff using workplace agreements. Several employers from larger businesses indicated that moving to a workplace agreement had made managing the wages bill easier, as under this arrangement they do not pay staff shift allowances or penalty rates, but rather a higher flat rate.

Most employers reported that attracting candidates for unskilled positions is generally not difficult; however, the exception to this was employers from Perth, who reported that the labour market in Western Australia is extremely tight. The most significant challenge encountered when recruiting for unskilled positions is finding people with the flexibility to work irregular and unsociable hours.

Most employers reported that only a small proportion of their workforce is considered ‘skilled’, usually chefs and those in managerial positions. Employers indicated that filling these positions is more time-consuming and costly than filling unskilled positions.
Employers in each of the locations reported that chefs are particularly hard to attract, even just to attend an interview.

Employers reported that the challenge of workforce retention is one they constantly strive to address. Workforce turnover is consistently high, particularly for staff employed on a casual basis.

**Employee profile**

In Perth, Sydney, Dubbo, the Gold Coast and Hervey Bay, most of the participating young adults indicated that as a casual employee in the ACR industry they felt ‘disposable’ and as though they could be ‘easily replaced’. Very few employees experienced a strong connection to the industry, the exception being apprentice chefs and those who aspire to own and operate a business in the future.

Most of the employee participants in this research were earning between $16 and $18 per hour or less as a basic rate of pay. Employees working shifts that began early or finished late (including work in bars and nightclubs) were earning up to $20 per hour, with even higher rates ($22 per hour) for working on weekends. While it was appealing for some employees to work the shifts that attract penalty rates, a number of employees indicated they would leave their current employment or even the industry if they were required to work hours they did not like (particularly night-time hours for those employees with children).

The majority of employees viewed their current employment as a ‘job’ – only a few saw it as a ‘career’. Most employees were unqualified or held the minimum qualification required to perform their role (such as certificates in Responsible Service of Alcohol or Responsible Conduct of Gambling).

The vast majority of employees reported that income is a primary driver for them, and that they work because they have to. Many younger employees indicated that pay rates in the ACR industry are relatively high compared with wages for unskilled work in other industries. Many of these employees choose to work in the industry purely because it offers higher rates of pay than other industries. Their choice is not related to building skills or gaining experience.

The most commonly mentioned attractive aspect of the industry was flexibility. The desire for flexibility among younger employees originated from the need to balance work with study at university or TAFE. Prime working-aged employees in the ACR industry generally have dependent children, and so appreciate flexible work hours, which allow them to arrange their work hours around caring for their children.

**Impact of increased minimum wage**

There was very low awareness and very limited understanding of the mechanisms for determining Federal Minimum Wages among both employer and employee participants. Very few participants could recall the Federal Minimum Wage rate. A minority of employers and very few employees claimed to be aware of the Australian Fair Pay Commission when prompted. However, when the role and functions of the Commission were broadly explained to the research participants, there was strong endorsement for the process of reviewing and adjusting Federal Minimum Wages on a regular basis.

Most employees indicated that, at best, any increase in minimum wages would allow them to maintain their existing lifestyle, rather than to improve it in any meaningful way. When employees were asked to identify the likely impact on their lifestyle of an increase in the minimum wage, most felt there would be minimal benefit.
When asked how they would manage an increase in staff pay rates, most employers indicated that, wherever possible, they would look to maintain profit levels by increasing the price of services or consumables and therefore passing on the increased cost to customers. However, for almost all employers, a hypothetical increase in prices was often qualified with the explanation that the impact on long-term revenue would need to be assessed before a price adjustment was actually made.

The second most frequently mentioned response to an increase in pay rates was reducing the number of staff per shift. Another commonly mentioned adjustment was for employers to personally work an increased number of hours in a service-delivery role (often to compensate for reducing the number of hours worked by paid staff).

For most participating employers, reducing or changing service delivery (e.g. using lower-quality ingredients) was not an option they would consider. Almost all employers felt that the success (or otherwise) of a business in the ACR industry hinges on the quality of the product and service provided to customers.
2.2 Introduction

2.2.1 Background and purposes of the consultation

The Australian Fair Pay Commission is an independent agency responsible for adjusting federal minimum and classification wages to promote the economic prosperity of the people of Australia. In adjusting pay rates for around 1.3 million workers in Australia, the Commission plays an important role in the management of the Australian economy. In a similar fashion to other key bodies such as the Reserve Bank of Australia, the Commission has been established as independent from government and makes decisions of major social and economic importance based on consultation, submissions, and research.

The Commission operates under a cycle of information gathering, decision making, communication and monitoring. The Commission consults widely to explore the impact of previous decisions with those most affected, and also to inform future decisions. As the Commission evolves, information is gathered from a broadening range of target audiences and industries, providing cumulative knowledge of minimum wage issues.

The Australian Fair Pay Commission Secretariat estimates that around 14 per cent of employees reliant on Pay and Classification Scales nationally are currently working in the Accommodation, cafés and restaurants (ACR) industry. That is, across Australia around 165,000 workers in this industry rely on the Commission for adjustments to their rate of pay. A priority for the Commission, therefore, is to understand more about these employees and their employers, and to explore how changes in minimum wages impact the industry.

2.2.2 Research process

The Secretariat engaged Colmar Brunton Social Research to conduct a series of targeted focus group discussions with employers of the low paid and low-paid employees in the ACR industry. Focus groups were conducted across a number of locations nationally, including both metropolitan and regional areas, and involved employers and current low-paid employees, as well as employees who had recently left the industry.

Research audiences

The recruitment of research participants focused on reaching employers and employees most affected by the Commission's minimum wage-setting decisions, including:

- owner/operators and managers of organisations employing staff on a standard rate of pay at or below what the Secretariat classifies as ‘low wages’ for the purposes of research recruitment ($18.42 ph / $700 pw / $36,400 pa); and
- employees currently paid at or below what the Secretariat classifies as ‘low wages’ for the purposes of research recruitment ($18.42 ph / $700 pw / $36,400 pa); and
- employees who had recently left the industry, but had previously held a position within the industry that paid at or below what the Secretariat classifies as ‘low wages’ for the purposes of research recruitment ($18.42 ph / $700 pw / $36,400 pa).

Note: For analytical purposes the Secretariat often defines ‘low paid’ as up to 120 per cent of the Federal Minimum Wage. This measure is not adopted for research recruitment purposes, where a round figure of $700 per week is used.
Employers

A range of organisations were purposefully targeted in this research. These included bars, nightclubs, cafés, restaurants, catering companies, motels, hotels, short-stay accommodation providers and offshore resorts. Employers from small, medium and large businesses were recruited to participate, with an emphasis on smaller operators.

The composition of employer groups is detailed below:

- businesses of varying sizes (measured by number of employees: micro, small, medium and large)
- businesses employing staff beyond family/friends
- a mix of employers from businesses in the following categories:
  - accommodation providers
  - on-site food businesses (cafés, restaurants, takeaway food outlets)
  - off-site food businesses (catering companies)
  - pubs/clubs
- employer participants who are responsible for recruitment and/or setting pay rates in their organisation
- employers who have tried to recruit in the past six months, are currently trying to recruit, or will be recruiting in next six months
- employers who have a stable workforce (that is, no recruitment in the past six months and no intention to recruit)
- a majority of organisations employing low-paid staff on award wages or according to Pay Scales (i.e. they are directly affected by the Commission’s wage-setting decisions)
- a smaller number of businesses that employ staff on workplace agreements (i.e. the Commission's wage-setting decisions are of less relevance to these employers).

Note: This research targeted employers of low-paid workers in the ACR industry. This was to ensure that feedback was received from those employers most affected by the Commission’s wage-setting decisions. The opinions and experiences of focus group participants that appear in this report do not necessarily represent the views of all employers in the ACR industry. Rather, they represent findings from the Commission’s target audience of employers in this industry.

Employees

Employee participants were targeted to ensure representation across the range of employment arrangements, including permanent/non-permanent, and full-time/part-time/casual. Employees paid junior rates of pay and apprentice/trainee employees were also targeted. Recruitment sought to include representation according to length of service in the industry – those who have been in the industry more than five years, those who have been in the industry less than five years, or those who have left the industry within the past 12 months. Groups were recruited to ensure a mix of demographic characteristics in each session, including: age, gender, have dependants/do not have dependants.

Note: This research targeted low-paid employees in the ACR industry. The opinions and experiences of focus group participants that appear in this report do not necessarily represent the views of all ACR industry employees. Rather, they represent findings from the Commission’s target audience of employees working in this industry.
Locations and group structure

A total of 16 focus groups were conducted across four states in May and June of 2008. The groups were held in metropolitan and regional locations in Western Australia, New South Wales and Queensland. The locations were selected to reflect the economic and geographic diversity of the industry. Eight focus groups were conducted with employers, six with current ACR industry employees, and two with employees who had recently left the industry. The fieldwork structure is shown below:

Table 21: Focus group structure

<table>
<thead>
<tr>
<th>Participant</th>
<th>Group structure</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Part-time and casual</td>
<td>WA: Perth</td>
</tr>
<tr>
<td>Employers</td>
<td>Smaller–medium operators</td>
<td>WA: Perth</td>
</tr>
<tr>
<td>Employees</td>
<td>Full-time (in the industry longer term: five or more years)</td>
<td>Qld: Gold Coast</td>
</tr>
<tr>
<td>Employers</td>
<td>Medium–larger operators (including some franchises)</td>
<td>Qld: Gold Coast</td>
</tr>
<tr>
<td>Employees</td>
<td>Apprentices and trainees (including school-based and mature-aged)</td>
<td>Qld: Gold Coast</td>
</tr>
<tr>
<td>Employers</td>
<td>Smaller operators</td>
<td>Qld: Gold Coast</td>
</tr>
<tr>
<td>Employees</td>
<td>Part-time and casual</td>
<td>Qld: Hervey Bay</td>
</tr>
<tr>
<td>Employers</td>
<td>Smaller–medium operators</td>
<td>Qld: Hervey Bay</td>
</tr>
<tr>
<td>Employees</td>
<td>Those who have left the industry recently – not in employment or employed in another industry</td>
<td>Qld: Hervey Bay</td>
</tr>
<tr>
<td>Employers</td>
<td>Smaller–medium operators</td>
<td>Qld: Hervey Bay</td>
</tr>
<tr>
<td>Employees</td>
<td>Those who have left the industry recently – not in employment or employed in another industry elsewhere</td>
<td>NSW: Sydney</td>
</tr>
<tr>
<td>Employers</td>
<td>Medium–larger operators (no franchises)</td>
<td>NSW: Sydney</td>
</tr>
<tr>
<td>Employers</td>
<td>Smaller operators</td>
<td>NSW: Sydney</td>
</tr>
<tr>
<td>Employers</td>
<td>Larger operators (including some franchises)</td>
<td>NSW: Sydney</td>
</tr>
<tr>
<td>Employees</td>
<td>Full-time (in the industry less than two years)</td>
<td>NSW: Dubbo</td>
</tr>
<tr>
<td>Employees</td>
<td>Emphasis on ‘juniors’ (including young adults) – part-time, full-time and casual</td>
<td>NSW: Dubbo</td>
</tr>
<tr>
<td>Employers</td>
<td>Smaller–medium operators</td>
<td>NSW: Dubbo</td>
</tr>
</tbody>
</table>

The research process

Employers and employees who met the specified recruitment criteria were invited to attend a focus group discussion. In Perth, the Gold Coast and Sydney, professional qualitative research facilities were used. These venues are equipped with audiovisual facilities and one-way mirrors allowing for observation of the discussion from an adjacent room. In Hervey Bay and Dubbo, the focus groups were convened in conference rooms.

Participating employers and employees were asked to complete a profile sheet upon arrival at the focus group venue. The employer profile sought information about the employer’s role in the business, how long the business had been in operation, business performance, workforce structure, and the composition of total business costs. The employee profile sheet sought information on the employee’s age, gender, occupation, hours worked, and income. It also posed questions about why they work, whether they see their employment as a ‘job’ or ‘career’, and explored whether they felt their income dictated their lifestyle, or if their lifestyle dictated their income. The employer and employee profile sheets are appended to this report (see Appendix B).
Discussion guides for both the employer and employee audiences were developed by the Australian Fair Pay Commission Secretariat in consultation with Colmar Brunton Social Research. Discussion guides are appended to this report (see Appendix A).

Observation by the Commission

Many of the focus groups were observed by Secretariat staff, who also took the opportunity to address participants and answer questions about the Commission at the conclusion of the discussion. At the time of recruitment, and again prior to the session commencing, participants were informed that the discussion would be observed.

2.2.3 Reporting approach and structure

Report style and presentation

The primary objective of this research project was to gather information about the opinions and experiences of those employers and employees in the ACR industry who are most affected by the Commission's wage-setting decisions. Relative prevalence of opinion and experience are noted throughout the report, so as to highlight the more frequently expressed types of comment. However, this report also presents the range of different opinions and experiences articulated in the focus groups (rather than simply focusing on the main or recurring themes). That is, this report aims to reflect any diversity observed within and across the focus groups. Accordingly, a larger number of quotes than is typical for a qualitative research report are presented in the body of the text to demonstrate the range of opinions and experiences.

How to use this report

As outlined in the section 'Research audiences' (see page 88), this research purposefully sought to include the opinions and experiences of participants representing a range of circumstances. These opinions and experiences have been presented in this report using the structure outlined below.

- **Section 2.3 Industry overview** – This section highlights factors currently impacting industry and business performance. Both attractive and negative aspects of working in the ACR industry are outlined.

- **Section 2.4 Business operations** – This section covers business performance as well as the processes and procedures used by organisations in the ACR industry. More specifically, issues such as recruitment and retention, workforce structures, labour costs and wage-setting arrangements are examined.

- **Section 2.5 Employee profile** – This section covers the characteristics and experiences of participants who work in the ACR industry. The complex relationships between work, income and lifestyle are explored, as well as employee views on whether they consider their current role a 'job' or a 'career'.

- **Section 2.6 Impacts of increased minimum wage** – This section outlines levels of awareness and understanding of statutory minimum wages, as well as perceptions of how these are determined. The perceived impacts of increases in minimum wages from both the employer and employee perspective are discussed.
2.3 Industry overview

2.3.1 External influences

Variable growth across the economy

Business growth in the Accommodation, cafés and restaurants (ACR) industry relies heavily on levels of household disposable income. Given that much of the industry's income derives from discretionary expenditure among consumers, growth can be negatively affected if cost-of-living pressures lead to lower levels of disposable income. When households have less disposable income, expenditure on services and consumables in the ACR industry decreases.

Business growth can be further retarded by low levels of consumer confidence in the national and/or local economy. Uncertainty about economic conditions and earning capacity deters consumers from spending their disposable income.

There was considerable variation in levels of business growth and optimism evident across the different locations included in this research. This was most obviously due to the current performance and projected performance of the local economy.

Most employers in the eastern states indicated that business growth is slow or stable. Businesses in New South Wales and Queensland were not currently performing as well as they had in the past. These employers reported that in the first half of 2008, customers did not spend as much as in previous years:

‘Business is negative at the moment. A declining economy is putting a lot of pressure and a negative feel in the air. Our turnover and net profit has dropped 20 per cent.’ [General manager, club, Sydney]

‘Our accommodation bookings are down, and I expect next year will be down. Also, our restaurant is quieter.’ [Owner, motel and restaurant, Dubbo]

These business owners’ most commonly reported explanation for reduced custom was the reduced disposable income of their potential customers, as a result of increased living costs (such as groceries, petrol, interest rates and high levels of personal debt):

‘A lot of it is due to increasing petrol costs. Commercial travellers are increasingly flying to country areas to do their business and are not driving.’ [Owner, motel and restaurant, Dubbo]

‘The Gold Coast used to be a “drive to” market, but now it's become too expensive to drive here. It is also a battle to get visitors to spend money.’ [Human resources manager, theme park, Gold Coast]

‘I have noticed that during slowdowns customers spend cash, and credit card use is now slower [reduced].’ [Manager, restaurant, Sydney]

However, employers in Perth reported relatively strong growth. The strength of the local economy and generally high wage rates appear to have compensated for higher interest rates and petrol prices:
‘Business is positive due to the good economy. It is very busy. Our margins are up 10 per cent. It is very busy in Perth.’ [Owner, bar and restaurant, Perth]

‘It is increasingly busy. This is positive.’ [Owner, café network, Perth]

Business is reportedly ‘booming’ in Perth. Employers indicated that many of their customers, particularly those working in the Western Australian mining industry, are earning high incomes. This results in increased levels of disposable income to spend on accommodation, and in cafés, restaurants, bars and clubs. The lure of high wages also brings more travellers to Perth looking for work:

‘It is very positive and busy. Our core market is young people, and they have lots of coin and are spending.’ [Manager, nightclub, Perth]

‘The accommodation sector is booming because it is a good economy, and visiting overseas backpackers want to find work in Western Australia. It is positive.’ [Owner, backpacker accommodation, Perth]

Rising cost of sales

All employers, including those in Western Australia, agreed that the rising costs of inputs were making it difficult to maintain profit margins:

‘The turnover is good – it’s been increasing each year; however, margins are not. It’s just basically food costs and all that sort of thing. There’s plenty of customers coming through but it doesn’t necessarily hit the bottom line.’ [Owner, café network, Perth]

‘Business has gone flat in the last three months and costs for coffee and packaging are increasing. We are only just surviving.’ [Owner, coffee shop and café, Sydney]

Most employers reported that their consumable inputs, including food and alcohol, equal approximately one-third of the total costs to the business. For items that make up a significant proportion of operating expenditure, even small increases in cost noticeably impact profit margins. In areas where business is currently slow (e.g. in the eastern states), there is less opportunity to pass on these increased costs to customers:

‘Vegetable and food prices are increasing, alcohol costs are increasing, and business has been flat in the last three months. It is hard to pass on costs [to customers] and you have to absorb costs.’ [Food and beverage manager, hotel and conference centre, Sydney]

The increasing cost of consumables such as food and alcohol was most often attributed to increasing petrol prices. Some employers in regional areas reported that as these items are transported and delivered to them by road, the higher petrol prices result in higher transport costs and thus higher food and alcohol prices:

‘A lot of it is due to increasing petrol costs.’ [Owner, motel and restaurant, Dubbo]

Tourism

Businesses operating in tourist-driven markets, including the Gold Coast and Hervey Bay, are impacted by a number of variables that have less of an impact in the larger cities. The performance of the Australian dollar influences the number of international tourists coming into the country: a strong Australian dollar generally deters international tourists.
The performance of the Australian dollar also influences the choices Australians make regarding holidays and holiday destinations: a strong Australian dollar makes domestic travel less appealing for Australians when they can travel internationally and get more value for their money.

Slowing global, national and local economic circumstances have also reportedly reduced the number of international and domestic tourists as well as the level of expenditure among those who do visit.

Many employers from Hervey Bay and the Gold Coast indicated that they rely on domestic and international tourism to bring potential customers to their local area. These employers indicated that the relatively strong Australian dollar and slowing global economies had reduced the level of expenditure on holiday destinations in Australia. The reduced number of tourists to these areas results in a reduced number of potential customers:

‘I think the economy is now stopping a lot of visitors doing the luxury things of going to theme parks or having a holiday.’ [Human resources manager, theme park, Gold Coast]

Levels of tourism influence how, when, or if businesses in tourist-driven markets pass on the increased cost of inputs (or other increases to their total operating expenditure) to their customers through increased prices.

Seasonality and weather

All employers reported that seasonality and weather conditions affect their business to some degree. Weather conditions are one variable over which businesses have little or no control. The extent of the impact of this variable is largely determined by location – whether the business is located in a larger city, an inland regional area, or a coastal regional area.

In local economies driven by tourist expenditure, peak periods include school holidays and public holiday weekends. For tourist-driven markets in coastal regions the peak season is summer, and business is significantly slower in winter months. In alpine regions, the cooler months are busier than the warmer months of the year:

‘The non-peak period is when it’s low; in the school holidays it starts to pick up. Usually the low period is very slow but school holidays are very good. But maybe not this school holiday coming, with cold weather and rises in [the cost of] petrol.’ [Owner, takeaway outlet, Dubbo]

‘Even though this time of the year is traditionally quiet, it’s not as quiet as it was in previous years, but it is quiet compared with the Christmas season. So we’re expecting it to be quiet until probably mid-June, and then it picks up with end-of-financial-year functions. Then it slows down for a little while and then probably from September we start taking Christmas bookings, and early Christmas functions. So it will pick up then.’ [Restaurant manager, bar and restaurant, Sydney]

Many employers in the coastal areas of the Gold Coast and Hervey Bay commented that winter 2008 was the slowest period for some time. This was compounded by a relatively slow summer period when unfavourable weather conditions deterred holiday-makers from visiting, and hence spending money on accommodation and in cafés and restaurants:

‘Our sales, as well as those of other hotels on the Gold Coast, are suffering due to the wet weather we had early this year from New Year to Easter. It is very quiet now, and this makes it difficult.’ [Human resources coordinator, hotel, Gold Coast]
‘We’ve got more staff than guests at the moment, and yeah, they’re just not coming over because of the weather.’ [Human resources officer, resort, Gold Coast]

Ongoing weather conditions (including the drought) are greatly affecting inland regional areas such as Dubbo. Employers in Dubbo reported that they rely heavily on the custom of drought-affected farmers, who are struggling financially and have low levels of disposable income. The long distances that farmers must drive to reach Dubbo, combined with higher petrol prices, deters them from spending what disposable income they have on services and consumables from the ACR industry:

‘We are still in drought and farmers cannot spend money. Most of our customers are farmers, and they are experiencing the drought and increased petrol and diesel costs.’ [Owner, hotel and tavern, Dubbo]

Government legislation

Legislation introduced by the federal government and the various state governments has negatively impacted the industry. Notably, legislation pertaining to alcohol, tobacco and gaming has affected almost all operators in the Accommodation, cafés and restaurants industry, in particular licensed clubs, pubs and taverns. These operators rely heavily on income from poker machines and alcohol sales. Historically, these businesses have also been ‘smoker friendly’ (relative to restaurants and accommodation providers). Various state governments have introduced smoking bans or restrictions that apply directly to employers in the industry. Employers reported having to build dedicated smoking areas, or risk losing patronage from smokers. Government initiatives to reduce smoking behaviour have also had a detrimental effect on gaming income, as poker machine players now go outside or to dedicated areas to smoke:

‘We have dropped a bit since last year. A lot of it’s to do with the smoking legislation. We had to move our gaming room and now it’s on the other side of the hotel, which is way out of people’s way.’ [Manager, hotel, Sydney]

Businesses with poker machine licenses also reported having to pay higher taxes on revenue from gaming, which reduces profit:

‘Business is negative at the moment [due to] government-related poker machine tax increases, and new smoking rules are putting a lot of pressure [on profitability].’ [General manager, club, Sydney]

Participating employers reported that the price of alcohol has increased as a result of higher taxes. Employers are left with little choice but to pass the increased cost on to customers. This reportedly resulted in some customers consuming less alcohol, which has a particularly negative impact on businesses that are more reliant on alcohol sales (e.g. nightclubs, pubs, taverns and licensed clubs):

‘New liquor laws, such as Responsible Service of Alcohol, and prices and taxes going up are making business difficult.’ [Owner, hotel and tavern, Gold Coast]

‘A lot of people have said to me that they don’t come to the pub because they can’t afford it. The money is going out because the alcohol prices have gone up so much.’ [Owner, hotel and tavern, Dubbo]
2.3.2 Attractive aspects of the industry

Flexibility

A relatively large proportion of the workforce in the ACR industry is employed on a casual or part-time basis. The ability to work on casual terms, in shifts, or outside of regular business hours was attractive to many participating employees, as this allows them to work around other commitments. Participants also mentioned the benefits of being able to swap shifts and negotiate starting and finishing times at the last minute to accommodate unforeseen circumstances:

‘The hours are flexible and I have good starting and finishing times. If more work is available I will take it.’ [Room attendant, hotel, Hervey Bay]

‘The good thing about that is that they [the employer] can fit in with you so if you go on a prac for uni or something like that you can change your hours.’ [Food and beverage attendant, temping agency, Perth]

Relatively high pay for younger workers

While the pay rate is low in real terms, younger employees (particularly those aged 18 to 20) often reported that their pay rates are high relative to other industries. Employees under 20 years of age employed in bars, or other places where liquor is served, are paid an adult rate:

‘We stick with the award as a guide but if we employ an 18-year-old we give them the full adult wage, because I believe that people are doing an adult job.’ [Owner, nightclub, Perth]

Many of these younger employees were employed on a casual basis that paid them a higher hourly rate (to compensate for not providing annual or personal leave). Many of those younger employees who felt their current rate of pay was good were also receiving shift penalties for working late at night or on weekends.

For these employees, their current pay rate is sufficient to support their lifestyle, in most cases providing them with disposable income while they live with their parents:

‘The income is good, and it is an easy job and the hours are flexible.’ [Kitchenhand, restaurant, Perth]

‘The money and hours are good, and you get free food.’ [Food and beverage attendant, racecourse, Perth]

Work environment and customers

Many employees derive satisfaction from the social interaction they have with both colleagues and customers. People working in the ACR industry, particularly those with a front-line service-delivery role (e.g. bar attendants, waiters and hotel receptionists), are often positively disposed towards interaction with other people. Many employees commented that they enjoyed being at work and interacting with people. Some customers had become like family to them:

‘It is good because you meet different people and at the club you have a lot of older people who are regulars.’ [Bar attendant, club, Dubbo]
‘Once I get to work I love it, because I've been doing it for so long and doing those shifts, the customers are like family to me, you know. I know when their daughters have had a baby or their grandchildren have done this, all that sort of thing. That side of it I really like.’ [Waiter, restaurant, Gold Coast]

‘The benefits are the food and other students working there. They're friends in a similar sort of circumstance.’ [Waiter, café, Perth]

‘It is good fun and you meet people.’ [Bar attendant, hotel and restaurant, Dubbo]

Ease of getting work

Many employees reported that it was easy to get their first job in the ACR industry. The entry requirements for many jobs in the industry were reportedly low. Many jobs require no qualifications at all and only very basic on-the-job training. There are also jobs that require only very basic qualifications, and these qualifications are relatively quick and easy to obtain (e.g. Responsible Service of Alcohol or Responsible Conduct of Gambling certificates):

‘I moved to the Gold Coast from Sydney five years ago and I entered hospitality because it is the largest employer on the coast.’ [Food and beverage attendant, hotel, Gold Coast]

‘I actually considered changing jobs over the summer and everyone keeps saying that in Perth you just pick up a job anywhere. So I wanted to get a job at Bunnings [but] I couldn’t even get a job there. But to me it seems in the food game – that’s where they’re really struggling for employees.’ [Pizza delivery, fast-food outlet, Perth]

Most employees felt that gaining experience in the industry facilitates mobility and provides job opportunities not only locally, but across Australia and internationally. Skills acquired in any position were seen by participants as readily transferable:

‘I see it as a career because it allows me to travel.’ [Apprentice chef, restaurant, Gold Coast]

‘It is a good job to have because it is easy to travel and find bar work.’ [Food and beverage attendant, motel and restaurant, Dubbo]

‘Once you’ve got a bit of experience and know-how – all the preparation dos and don’ts – you can find work quite easily.’ [Ex–catering waiter/cook, Sydney]

Progression opportunities

Some participating employees viewed their experience in the industry as a constructive step toward a career. These employees were typically apprentice chefs or school-based trainees. Apprentice chefs in particular were very passionate about what they do:

‘I work because I want to become a qualified chef and travel. I see it as a career because I am doing what it takes to become qualified.’ [Apprentice chef, restaurant, Gold Coast]

‘I have been in hospitality for eight months. I had just left the army and found this job and fell into it. I may even end up buying my own café.’ [Coffeemaker and waiter, café, Dubbo]
Many of these employees aspire to set up their own business or buy an existing business. They see their current employment as providing useful training and experience toward the realisation of their future business aspirations:

‘I've done a bit of business and retail, so I wouldn’t mind in a couple of years when I've got a bit of money, studying a bit more and owning my own café.’ [Barista/waiter, coffee shop, Dubbo]

Some workplaces offer further education or study to current employees who show potential, to assist them to move into supervisory and managerial positions. Opportunities for progression and further study within the business were most common among larger operators in the industry, particularly hotels:

‘It's not in concrete or anything like that but they have sort of guided me towards moving into other areas, being management if I take up studying courses and things like that.’ [Housekeeper, resort, Gold Coast]

Some larger operators up-skill, multi-skill and promote existing staff to supervisory or managerial positions to ensure progression within their workforce:

‘We will train up people if they look good and assess well, and we will keep them long-term if they have good performance. Sometimes it can be a waste of time, but other times you have winners.’ [Restaurant manager, bar and restaurant, Sydney]

### 2.3.3 Negative aspects of the industry

**Low pay**

Apprentices, trainees and mature-aged workers employed on a permanent full-time or part-time basis believed that wages in the ACR industry are low in comparison to pay rates available in other industries. Many of these employees, particularly those with significant financial commitments, reported that their wages are insufficient to support their lifestyle:

‘Our pay rates are low and cannot support a lifestyle.’ [Bar attendant, club, Dubbo]

‘I work permanent part-time at an island resort. I am actually not on a very good wage.’
[ Maintenance worker, resort, Hervey Bay]

Some employees who had left the ACR industry cited the low pay rates as a primary driver for moving on. Some left because they needed a greater income to support their family; others wanted more money to support their lifestyle:

‘I worked in hospitality for nine years but I left because I needed more funds to support a growing family.’ [Ex–bar attendant, hotel, Hervey Bay]

‘I needed more money because I like to travel, and that is why I got a labouring job. I used to be a sandwich hand also. But I outgrew it and the money was low.’
[Ex–sandwich hand, fast-food outlet, Sydney]

‘I am a mother of four children and I have just applied at the prison to become a custodial officer. This will set me up to retirement, if I get a stable government job. It is hard to pay the bills and to get by when you have kids and you struggle. So that is why I want to find a more decent job with better money.’ [Ex-waiter, club, Hervey Bay]
Long, irregular working hours

A number of employees complained about working long shifts, working split shifts and having irregular working hours. They felt that these hours take a significant toll on their social lives and create problems relating to family commitments:

‘When I left school I worked in catering, but the hours were long, and seven days a week and weekends. You don’t have a life.’ [Ex-waiter, catering, Sydney]

‘I start at ten at night and work to six in the morning. It’s horrible.’ [Door person, nightclub, Perth]

‘In hospitality jobs there are a lot of split shifts and night work. It can take a lot of time away from your family and children.’ [Kitchenhand/waiter, club, Hervey Bay]

‘We have a lot of [staff] turnover, because it is common for staff such as waiters to have second jobs, and they dislike working night-time hours with us.’ [Manager, restaurant, Dubbo]

‘I have to get up really early as I start at 6.30 on the weekends, which isn’t pleasant.’ [Coffeemaker, café, Perth]

Difficult working conditions

Many employees expressed dissatisfaction with the physicality of working in the industry, including standing for long periods of time and heavy lifting:

‘You’re doing a lot of manual kind of labour, like, you’re lifting things. Yeah, you’re on your feet the whole time.’ [Food and beverage attendant, racecourse, Perth]

A number of younger employees studying at university indicated that many of their tasks were repetitive and boring to undertake:

‘The positives are just money and the free food. But it’s boring.’ [Waiter, café, Perth]

Most employees who worked in businesses serving alcohol, particularly bars and nightclubs, complained about intoxicated customers. Those who worked in restaurants and cafés reported difficulties such as serving rude patrons or dealing with customer complaints:

‘You have to put up with drunks.’ [Ex-waiter, catering, Sydney]

‘In previous jobs [in bars] I got quite a lot of abusive customers and you can’t say anything back. It’s just always irritating.’ [Coffeemaker, café, Perth]

‘The only thing I don’t like is serving arrogant business people at function events.’ [Food and beverage waiter, hotel, Dubbo]

‘I think it’s hard in hospitality because, especially in cafés, the customer is always right. And I think it has a high stress rate sometimes, because you have to bottle things up; you can’t get mad at the customer.’ [Waiter, café, Perth]

A number of employees who worked in bars and nightclubs (or had done in the past) spoke about the environment being undesirable:
‘It’s not a very nice club to work at. It’s a techno club where you listen to like a lot of music and you get lots of weird characters and all that.’ [Door person, nightclub, Perth]

‘It’s not exactly a very good work environment – incredibly loud music.’ [Glass collector, nightclub, Perth]

‘Most of the shifts I worked were evenings, and when you worked in the restaurant or the actual bar, especially on Fridays and Saturdays, it was like walking through like a constant vapour of smoke, and I hated that.’ [Ex–bar attendant/administrator, restaurant and bar, Sydney]

Participating employees in the ACR industry also reported that they were required to enforce tobacco, alcohol and gaming legislation. This was considered particularly difficult, as usually enforcing this legislation involves dealing with intoxicated customers. These employees also risk being fined if they do not enforce the legislation:

‘Hospitality workers, we’re probably some of the lowest paid workers but we have more laws to enforce than anybody else. We’ve got to enforce that drinking law, we’ve got to enforce that tobacco law, then we’ve got to make sure that they’re not too drunk and everything else and, hey, if they come into the restaurant and somebody’s like that, it’s us little muggins on the floor that cop the fine as well as the boss. And that, I think, is really unfair.’ [Food and beverage attendant, hotel, Gold Coast]

Underemployment

Employees who had been in the industry for a long time or who aspired to work in the industry long-term expressed considerable dissatisfaction with the difficulty of finding full-time positions in the industry. As the industry is composed of largely casual and permanent part-time positions, the permanent full-time positions – which offer stability and security – are scarce. Those working casually or on a part-time basis often reported that they couldn't get the shifts or the number of hours that they want or need:

‘Hospitality is something that runs a lot of casual work and there’s not a lot of full-time positions and, yeah, I’m looking for something more stable and secure and full-time.’ [Bar, gaming and promotions attendant, boat club, Hervey Bay]

‘Mine was easy as far as getting the job. But it was hard to get permanent – to actually get that permanent position.’ [Housekeeper, resort, Gold Coast]

Though not common, it was evident that some employees will work two or more jobs in the industry when they can't get the hours they want or need from their primary employer:

‘I need the income and have to have more than one job because I don’t get enough hours.’ [Bar attendant, club, Dubbo]

‘Some staff have two or three jobs and ask if you can pay cash to reduce their tax. I tell them no.’ [Manager, restaurant, Dubbo]

Limited opportunities for training or progression

Employees who aspired to work in the industry long-term or move on to managerial roles expressed dissatisfaction with the limited opportunities available in the workplace to enhance their skills, or to move on to a more highly paid position. Many indicated that they
rarely receive formal training, or opportunities to be involved in training of any description. Most skills are picked up through basic ‘on-the-job’ training and experience:

‘I left because I’d been there for about three years and there wasn’t much chance of advancement.’ [Ex–sandwich hand, fast-food chain, Sydney]

‘There’s no training. You’re expected to have the skill set before you can get work.’ [Bar attendant, hotel, Perth]

‘The position I’m in at the moment – looking after the pools – I had absolutely no experience at all, and I’ve had no training.’ [Garden/pool maintenance, resort, Hervey Bay]

‘I see it as a job because I cannot go any further, such as becoming a manager. There isn’t really a career.’ [Waiter, café, Hervey Bay]

‘It is just a job. It is not work where you can go anywhere higher.’ [Housekeeper, hotel, Dubbo]

Lack of appreciation

Some employees, particularly those working casually or part-time, felt they were not valued or appreciated by their employers. Several felt employers were too focused on profits and had little consideration for staff welfare. They believed their employers viewed them as just ‘a pair of hands’ that could be easily replaced:

‘I think as a casual, you sort of feel disposable, because I think there’s a lot of demand, so you can’t really complain about anything or you can’t miss days because you’re fairly disposable.’ [Pizza delivery, fast-food outlet, Perth]

‘It was, “Well, if you don’t like it, piss off”. It’s as simple as that. “You know there’s somebody else we can employ instead of you”’. [Ex–bar attendant, nightclub, Hervey Bay]

‘I found in hospitality, unless you have really good management, the majority of places tend to just treat you like nothing, like they don’t care about your split shifts and that you’re torn away from family … just get that work done.’ [Garden/pool maintenance, resort, Hervey Bay]
2.4 Business operations

2.4.1 Business performance

There is considerable diversity among operators in the Accommodation, cafés and restaurants (ACR) industry. Businesses represented in this research included cafés, restaurants, takeaway/fast-food outlets, clubs, pubs, hotels, motels, backpacker accommodation, resorts and theme parks. Business turnover ranged from as little as $95,000 per annum to more than $25 million. The size of participating employers’ workforces varied greatly, from as few as four staff to more than 500.

Most employers reported some positive growth in revenue. In Perth, employers reported strong growth. Most employers in Perth attributed the increasing profit to a strong local economy driven by the resources boom. In the eastern states, growth was slower, both in relative and absolute terms. Employers based in the larger cities of Sydney and the Gold Coast reported a range of profit results. Most employers from the smaller regional locations of Dubbo and Hervey Bay reported that profits were declining. Reduced profit margins (as a result of decreases in consumer spending) can be attributed to reduced levels of household disposable income, resulting from a number of factors, as detailed in Section 3.2, Industry overview.

2.4.2 Business processes

Discussion explored whether employers implemented formal or informal processes in business management and operations. Generally, larger businesses (in particular larger hotels, catering businesses and theme parks) reported employing formal methods of operation. The majority of these businesses have structured budgets, procedures, formal rosters and staff training, including formalised induction training:

‘We’re formal. We look at daily payroll rates against budget and compare that to revenue. Managers come to a morning brief and have all their percentages and productivity figures.’ [Human resources manager, theme park, Gold Coast]

‘We follow formal procedures.’ [Manager, catering business, Sydney]

‘We are formal because we do induction at a formal level, and follow formal procedures.’ [Manager, catering, Sydney]

‘The hotel I work in is large and they have a very service-culture consciousness and that’s very strictly enforced between all the levels of employment, and that’s what’s good about it. You feel like it’s right, though, so it’s a very positive place to work in.’ [Food and beverage attendant, hotel restaurant, Gold Coast]

Small and medium businesses tended to be less formalised in their approach to business operations. Most of these employers discussed having some basic budgeting and recruitment processes, but were not usually as structured in their approach (in terms of policy and procedures) as larger businesses in the industry. This is most likely because owner/operators typically supervise staff themselves (to ensure that tasks are carried out correctly), whereas for larger operators, this responsibility rests with a number of supervisory and managerial staff – hence there is a greater need for standard practices and procedures:
‘We try for formal. We do internal training with people and we try to set operations and procedures in place. How far you have to drill down to make sure that someone does something right [depends whether] there’s lack of initiative and lack of understanding things there. So there’s some structure there but also you don’t want to be overbearing because you’ll lose your staff.’ [Owner, café network, Perth]

2.4.3 Workforce structure

Businesses operating in the ACR industry tend to employ only a small core team of permanent full-time staff, usually in managerial roles, or those that require qualifications, such as chefs’ positions. Larger operators also employ staff on a permanent full-time basis for lower-level positions; however, in all larger businesses there are high levels of permanent part-time and casual staff, who are responsible for the majority of service delivery.

These permanent part-time and casual employees do not generally have qualifications except those necessary for the job (such as Responsible Service of Alcohol or Responsible Conduct of Gambling certificates). The work experience of participating part-time and casual employees ranged from almost none to more than 30 years. Some of these employees were school-based trainees (i.e. 16 years old) and others were in their sixties and nearing retirement.

Employers expressed a preference for a casual and part-time workforce, as this affords flexibility in business operations. Employing staff on a casual or part-time basis was reportedly more affordable; it was reported that if business increases or declines there is flexibility to increase or decrease the working hours of casual staff accordingly. Further, the majority of unskilled employees aged 25 years or younger are not looking for full-time work. Almost all employees in this age group are hired on a casual or part-time basis while they are studying at secondary school, TAFE or university, and are not available for full-time hours.

Most employers had juniors in their workforce, including apprentices and trainees. It was relatively common for restaurants and cafés to take on apprentice chefs. These employees are often considered a cheaper source of labour for unskilled tasks. However, apprentices and trainees are employed by most businesses with the expectation that they will undertake further training (often at the employer’s expense) and become full-time, qualified employees in the future.

The relative proportions of permanent full-time to part-time/casual staff varied across the industry. Hotels, motels, pubs and bars tend to employ higher numbers of permanent full-time staff relative to cafés, restaurants, and fast-food outlets. The number of permanent full-time staff reflects the minimum number required to keep the business operating in non-peak periods. Larger numbers of casual and part-time staff are utilised during peak periods.

Employers from cafés, restaurants and bars reported that the nature of the business (long operating hours and late-night hours) requires different numbers of staff at different times. A relatively large casual or part-time workforce allows employers to adjust the number of staff between peak periods and quieter times such as during the day, or between different days of the week and different times of year. Covering annual leave, sick leave and the departure of staff members is more manageable for employers when they have a larger, casualised workforce that can be flexible to meet their requirements:
‘We have several staff who work full-time hours, but most don’t. We cannot promise full-time work. It is also cheaper to pay casual rates than commit to employing someone for 40 hours per week. Also, you lose your flexibility to adjust staff numbers during quiet times.’ [Food and beverage manager, hotel, Sydney]

Most business employ staff according to award conditions. There was, however, evidence of some larger businesses using workplace agreements as this arrangement circumvented the difficulty of referencing multiple awards across the workforce. It is much simpler for larger operators to employ all staff via one industrial instrument and tailor the pay classifications and minimum pay levels to the duties undertaken by staff:

‘The [name of business] agreement was developed over 10 years ago. So we had achieved a flat rate of pay across seven days of the week, so that was good from both the payroll and the administration perspective, and generally speaking the majority of our workers were happy with that. We bring in all of our staff under one industrial instrument.’ [Human resources manager, country club, Gold Coast]

2.4.4 Labour costs

Employers reported that labour costs in the ACR industry equal approximately one-third of operating expenses. Labour costs are one of two major costs, the other being the cost of inputs such as food and alcohol, which also equals approximately one-third of total operating expenses.

Discussion with the employers identified regular monitoring of their wages bill, on at least a weekly basis. Employers from larger businesses discussed the daily monitoring of labour costs. It was considered essential to closely monitor such a significant expense as any unexpected increase in the wages bill, or decrease in revenue without adjustment to the wages bill, will significantly decrease profit levels:

‘We monitor our wage costs all the time, every day; every morning I check. You have to monitor it very closely because it can creep up very, very fast. If wages go up I would reduce the number of staff per shift.’ [Owner, café, Hervey Bay]

‘The way business is at the moment, costs such as vegetables and meat are skyrocketing, so I review my books every night.’ [Manager, hotel, Perth]

Many employers reported that one of the strategies they use to control labour costs is the employment of casuals. Almost all employers reported using this strategy, but it was particularly common for businesses in the tourist-driven markets of the Gold Coast and Hervey Bay. Typically, casual employees are offered unlimited hours during peak periods, but have their hours cut back during non-peak periods to an allocation that suits the business:

‘Because this market [the Gold Coast hospitality sector] goes boom-bang, then boom-bang, and up and down, you cannot afford to keep anyone on full-time rates except for the chosen few.’ [Owner, café, Gold Coast]

A number of employers indicated that they had moved from using award classifications to workplace agreements, which made managing the wages bill easier. Under an award, employees must be paid penalty rates for public holidays, weekends, and early starts or late finishes. However, having an agreement allows the employer to pay a flat rate for these times, which would normally attract up to ‘double time’ (i.e. up to double the minimum award
rate) and time in lieu on public holidays. This approach avoids significant fluctuations in the wages bill:

‘Rather than paying via the award with the higher rates on the Sundays and everything, [having a collective agreement was] just basically to make it more an even thing right through [the week] so that everybody was paid the same rate from Monday to Sunday. It just made it a lot easier.’ [Human resources manager, theme park, Gold Coast]

‘It has to be [above-award], because it takes the Sunday rates into account. So for public holidays, it actually works out you’re paying more for their public holidays because you’re giving them a day off in lieu, so they’re getting like double time, whereas, you know, if they’re paid the award, they might get time and a half or something like that. But again, it’s just easier.’ [Manager, tavern, Gold Coast]

2.4.5 Determining wage rates

Most employers indicated that the bulk of their (predominantly unskilled) workforce are employed and paid according to a relevant award or Pay Scale. It was also relatively common for employers to have their more highly skilled and managerial staff employed using individual agreements:

‘We pay at the pay rate set by the award and within the grading level. You cannot afford to pay more. You just cannot afford it.’ [Owner, motel, Dubbo]

‘We pay staff on the award. Only managers receive payments above the award.’ [Restaurant manager, hotel, Sydney]

‘We always stick by the award in our collective agreement rate for the level of worker.’ [Human resources manager, resort, Gold Coast]

Several employers complained about the number of awards that apply to the industry, and their frustration with trying to ensure that staff are paid appropriately (according to tasks performed and qualifications held). Many of these employers had moved to using workplace agreements across their entire workforce:

‘There’s the Fast Food Industry Award, there’s the Shop Distributors Award, an allied industry award. There’s about six different awards that our staff can fall under.’ [Human resources manager, theme park, Gold Coast]

Many employers paying staff via workplace agreements had also adopted a more sophisticated approach to remunerating staff. Often these employers would use a reward or bonus system to maximise the productivity of their workforce:

‘With our AWAs, we pay two or three dollars above what the award rate is, and we also work on an incentive scheme. So when you start off you’d be on the minimum, and then if you show potential we’ll raise that out to six months and then it keeps going up on the six-month scale. And the more business we do and profit we make, the more wages you get.’ [Owner, tavern, Perth]

Many employers paying at the minimum rate outlined in the award or Pay Scale reported that they start their new employees on the minimum rate, and then pay those staff they want to reward and retain a higher rate once they are established:
‘It is hard to retain staff once you get them trained. We pay trained staff extra rates because we don’t want them to go to the competition. It is excruciating trying to find the right person.’ [Manager, sandwich chain, Hervey Bay]

‘All our staff are casual and are paid on the award rate. It is difficult on the Gold Coast, because a lot of applicants are travellers. We basically put them on the initial pay rate and if they are still there after three months then we put them onto a better pay rate to keep them.’ [Manager, restaurant/café, Gold Coast]

‘I pay quite well. Juniors aged 15 to 16 years get paid $12 to $15 per hour depending on supervision, barista staff receive $23 per hour, and basic staff start at $18 per hour. I try and pay 20 per cent above the award due to the hard work and difficult hours, and I pay up to $30 per hour for very experienced people who can bring in revenue. I also set KPI incentives to keep labour costs low, through setting time allowances and competencies.’ [Owner, coffee bar, Sydney]

A minority of employers (not including those with staff employed via workplace agreements) reported routinely paying all of their employees above the award minimum. These employers felt it was best to pay all staff above the award classifications, especially in Perth, where the labour market is particularly tight:

‘All of our employees are paid above the award, all of them. Up to one dollar, sometimes three dollars [above]. It just depends on how long they’ve been there and how they’re performing. And [this approach is an] insurance policy: if the union official should ever want to come down there and check the records, they’ll find that everybody’s getting paid too much. Except the manager; that’s me.’ [Manager, hotel, Perth]

Other employers paying above the minimum rate indicated that it is difficult to follow award classifications when business processes involve multi-skilling staff to work across numerous areas of the business, or to work with limited direction or supervision. In these cases, employers prefer to pay their staff at the higher end of the scale (via a workplace agreement or an individual agreement) according to the tasks their employees perform:

‘I think it’s because of the multitasking aspect of my business at the moment anyway. I can’t afford to have set people just doing this task or that task. They have to do a number of roles and then we pay them a fairer rate.’ [Owner, mobile espresso bars, Sydney]

A number of employers reported paying according to market rates, some with limited regard for the award rates. This was most common in Perth, where the labour market is tight, and attracting suitable staff is particularly challenging:

‘I’ve got a mate who owns a couple of pubs and I said, “What do you pay your guys?” I also find out what they [applicants] earned in their previous job and then I have a quick look at the award and it’s worked out from there. Like, I don’t really know where I stand with the award. But my employees are pretty happy.’ [Manager, nightclub, Perth]

Some employers were extremely resistant to paying above the relevant award for any of their employees, fearing that this would cause discontent among those not being paid above the minimum rate:

‘Even when it is hard to get staff we stick to the award rate, otherwise it upsets all other staff who are not receiving above-award rates. We cannot afford to pay everyone above the award.’ [Manager, hotel, Sydney]
Most employees were aware that younger people receive lower rates of pay, and that people with qualifications and/or greater responsibility are paid a higher rate according to a higher award classification. However, there was very limited understanding of how the different rates and classifications were determined, either internally (by the business) or externally (by the relevant authorities).

Very few employees had negotiated their pay rate on commencement, or requested a subsequent increase. Employees advised that it was rare to negotiate with their employer about pay rates because most felt the outcome would not be in their favour:

'It would threaten your job.' [Food and beverage attendant, hotel, Gold Coast]

'It is not negotiable, full stop. This is what it is – like it or leave.' [Hotel reception, resort, Gold Coast]

'I've been told, “You don’t want to do that; well, there's the door.”' [Kitchenhand, restaurant, Gold Coast]

The majority of employees recognised that they are being paid based on an award classification, though few could recall the name or any details of the award. There were some employees who did not know how their pay rate was determined and simply trusted their employer to do the right thing. Others had attempted to find out about their award conditions and pay rates, but had found it to be a difficult and frustrating experience:

'Do you know what I think is hard, not just where I work, but if you ring up Wageline or Department of Labour and Industry, or whoever it is and try and find out what award you should be paid under, nobody can tell you. You could be under this, but you could be under that. So then you go to the boss and say, “These people told me I should be getting paid this much an hour”, [and your employer says] “Oh, but you don’t come under that award, you come under this award” – but they [the authority] told us I come under this award. You've got nothing to tell you what award you're getting paid under.' [Front-of-house attendant, restaurant, Gold Coast]

Cash-in-hand pay

Cash-in-hand pay was generally frowned upon by both employer and employee participants. Employees felt that if someone was being paid cash-in-hand they were probably being underpaid and would have no records to refer to:

'If you get paid in cash you can be off the books and be underpaid.' [Waiter and bar attendant, hotel, Dubbo]

'I would rather have my pay go into my bank account because then you have a record of what you earned.' [Bar attendant, restaurant, Dubbo]

Participating employees reported that cash-in-hand had been common in the past, but is less common now:

'Once upon a time you could get cash-in-hand wages and also above the award, but few jobs in hospitality have cash-in-hand payments now.' [Ex–bar attendant, pub, Hervey Bay]
Most employers indicated that paying cash-in-hand is too risky for tax and insurance reasons. There was a perception that the government had cracked down on cash payments and that employers paying cash to their staff would get caught eventually:

‘We don’t pay anyone in cash. You need a cheque record to ensure you are covered for insurance issues and to prove your tax deductions.’ [Owner, hotel, Sydney]

‘Everything we do is electronic. Cash payment is too dangerous to do relating to HR because if you pay people in cash, you cannot predict risks and what your staff will do.’ [General manager, licensed club, Sydney]

‘We do not pay our employees in cash because such staff are not covered by workers’ compensation. You are open to litigation, and if the person is also on NewStart and Centrelink finds out, you are gone!’ [Manager, motel and restaurant, Dubbo]

Although frowned upon by most employee and employer participants, there was some evidence of untaxed cash-in-hand payments in the ACR industry. More than one employee in the Perth focus group advised that they were currently being paid cash or had previously been paid cash-in-hand. One participant spoke of a cash-in-hand arrangement which ceased after the Australian Taxation Office investigated their former employer. Another decided to leave a job because the cash-in-hand pay rate was too low:

‘I’m paid just cash. [My employer] is quite organised so I don’t mind and it’s the same amount every week.’ [Kitchenhand, fast-food outlet, Perth]

‘I have a feeling the shop actually got into a bit of trouble from the tax office or something. I don’t think it’s legal. When I came back the next week [my employer told me], “I’m not going to do that anymore. We’re going to give you a wage.” I didn’t have problems with [cash-in-hand payments] but I think the owner of the shop did.’ [Bar attendant, hotel, Perth]

‘Previously I was paid in cash. I think they pay you less. It was an Asian shop so, you know, it was only about $8.00 per hour in cash. It was really, really crap. So I quit.’ [Waiter, restaurant, Perth]

Both employees and employers on the Gold Coast reported that cash payments are relatively common across the industry; however, no participants reported that they are currently paying or being paid cash-in-hand:

‘What payslip? You want to talk about the shonky Gold Coast hospitality industry? I’ll tell you about it!’ [Food and beverage attendant, restaurant, Gold Coast]

An exercise was undertaken with both employees and employers to determine what factors they felt were most important to consider when setting an individual’s pay rates (not what is currently considered, but rather what should be considered). Employers reported that the most important factors to consider when setting pay rates are skills, what the business can afford, and attitude. Employees felt that the most important factors that should be considered when setting pay rates are skills, experience and qualifications. A breakdown for each group is presented below.
Table 22: Employers: Important factors to consider in setting pay rates

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Table 23: Employees: Important factors to consider in setting pay rates

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2.4.6 Recruitment and retention

Recruitment processes

Most small to medium-sized businesses have relatively informal recruitment processes. Many of these employers reported that they often just hire staff on a trial basis (e.g. for one shift), without an interview to judge their ability to do the job:

‘Our recruitment is very informal. We only ask, “Have you been in prison?”’
[Manager, restaurant, Sydney]

‘We just throw new staff in. We are informal.’ [Accounting manager, hotel, Sydney]

Other employers reported that they use an informal interview process to get a feel for what an applicant is like. This process does not focus on skills and experience, but rather aims to evaluate whether the applicant is personable and likely to deliver good service to customers:
‘We don’t hire by qualifications. We hire by personality to make sure the person fits in.’
[Manager, fast-food outlet, Hervey Bay]

‘We have structured interview questions, but it is really qualitative and casual, and we judge the person.’[Assistant manager, pub, Perth]

‘We do it informally and not seriously, and we go by feel, and this seems to work and reduces pressure on the person.’[Owner, tavern, Dubbo]

In participating small and medium businesses, the owners or managers were responsible for recruitment. The informal but pragmatic recruitment processes implemented by small and medium businesses is largely a reflection of the time-poor nature of owners and managers.

By comparison, larger operators reported implementing relatively formal recruitment processes. These businesses tend to have dedicated human resources managers who coordinate all recruitment activity, and who have the expertise and experience to implement a more sophisticated approach to recruitment:

‘We do formal interviews and assess our staff. This works to increase their expectations that good performance is required.’[Human resources manager, hotel, Sydney]

‘Our first screening is talking to them on the telephone, following their application for the job, then we set up an interview schedule where they actually come to our head office. If they make it through the interview we give them the job and put them on a two-week trial. If after two weeks we are happy we tell them, “You’ve got the job as long as you want it”.’[Human resources manager, theme park, Gold Coast]

Some larger operators indicated a need to have dedicated human resource personnel and a structured recruitment process as a result of ongoing recruitment needs. Businesses with a high turnover of part-time and casual staff need to continually recruit to maintain service levels:

‘We’re getting less and less people knocking on our door. We’ve got an ad in the paper every week, twice a week.’[Human resources manager, pizza delivery business, Gold Coast]

Unskilled recruitment

Most participating employers reported that attracting candidates for unskilled positions was generally not difficult. However, the exception to this was Perth, where many employers reported that the labour market is very tight, and that therefore attracting staff for unskilled positions is difficult. This difficulty was most commonly attributed to the attraction of the mining industry where unskilled workers are reportedly able to find relatively highly paid positions. These unskilled positions are both in the mining industry itself and in the businesses that provide products and services to the mining industry:

‘The mining industry is killing the hospitality sector [labour market] for suburban taverns.’
[Owner, tavern, Perth]

‘Hospitality is a transient industry and people get tired of the hours required to be worked. Also, the mining industry gives hospitality a lot of competition in gaining staff.’
[Owner, bar and restaurant, Perth]
Employers in Sydney, Dubbo, the Gold Coast and Hervey Bay reported it is relatively easy to find candidates for unskilled positions. It was common for these employers to have people express interest in unskilled positions by email, telephone or walking in off the street:

'It is easy to find unskilled workers wanting work in a rural town.' [Owner, restaurant, Dubbo]

'It is easy. We receive CV emails and phone calls almost daily.' [Reservations manager, hotel, Sydney]

'It is easy because of the volume of enquiries available.' [Owner, café, Gold Coast]

The most significant challenge encountered when recruiting for unskilled positions is finding people with the flexibility to work irregular and unsociable hours:

'It's hard to find staff who want to work long hours from 6 am to 6 pm, and the work is difficult. They only last two or three months.' [Owner, nightclub, Perth]

'It is difficult because applicants have children or are studying and want to set the conditions and hours they want to work. But we need people from 6 am to lunchtime without [other] commitments. Also, some applicants are not reliable, not skilled, or are not interested in customers.' [Owner, café, Sydney]

'Finding staff is difficult because a lot of people don’t want to work at night or on weekends.' [Owner, backpacker accommodation, Perth]

Finding applicants who have a strong work ethic was reportedly not easy. Some employers talked about being frustrated by encountering a strong work ethic among migrant workers who do not speak English. Most positions require some level of interaction with customers, so these applicants are not considered suitable:

'The Brazilians are excellent. Their attitude is pretty fantastic, but the issue is communication. If you're running a hospitality business, anything short of being able to speak fluent English is sometimes not good enough.' [Human resources manager, hotel, Gold Coast]

'These staff are easy to get. But we need commitment and suitability, and people who can speak English.' [Restaurant manager, hotel, Sydney]

A barrier to employers attracting juniors and international students is good public transport access. If the business is located away from reliable transport links then the pool of resources is reduced considerably:

'We're not on a public transport route, therefore international students are difficult for us because they have to have their own transport. One major issue for the Gold Coast in comparison to the cities is the poor public transport, so [as] we're based up in the northern tip of the Gold Coast and we virtually can’t employ persons unless they've got access to a vehicle seven days a week so they can get to our location. So that does inhibit the attraction of our companies up there to employ hospitality staff.' [Human resources manager, resort, Gold Coast]
Finding people with the right attitude and presentation is often difficult. Many employers discussed their expectations, and the frustration at the number of applicants who are untidy, unprofessional, or have piercings or tattoos that aren’t appropriate for the position they are applying for:

‘You get applications from people with qualifications and experience. But often they are not presentable to our environment. It is frustrating.’ [Owner, motel and restaurant, Dubbo]

Discussion with employers also explored how businesses respond if they have not successfully recruited for an important (but not critical) position. Some employers, particularly those in Perth, advised that they have had to drop their standards to ensure sufficient staffing levels. The result of this is that these employees then require increased supervision:

‘I have staff who three years ago I probably wouldn’t have considered. But you know, you’ve got to fill the position with someone. Trying to find a good café supervisor is near impossible, for me anyway. And the supervisors I have got in my bar – they’re just kids and have no idea.’ [Owner/operator, café, Perth]

‘This has been the trend for the last two to three years. You try and oversee them more once you put them on. But they are inexperienced and not reliable, and young people also don’t have common sense.’ [Manager, tavern, Perth]

However, most employers reported that they wouldn’t compromise on the quality of staff because this reportedly translated into poor customer service:

‘I need to create a team who have good customer skills and public relations skills.’ [Owner, café, Sydney]

‘I cannot drop our staff quality. I would suffer in trade and loss of our repeat customers who comprise 80 per cent of our business. Therefore, I try and get the right person, someone who gives customers respect and who has a work ethic.’ [Owner, coffee bar, Sydney]

These employers reported they would instead up-skill existing staff:

‘We will train people up if we cannot find people with the skills we need.’ [Reservations manager, hotel, Sydney]

‘We tend to throw existing people in. If they look good and work out well, we then train them up.’ [Accounting manager, hotel, Sydney]

Several employers commented on people only applying for jobs in order to remain eligible for NewStart Allowance:

‘A lot of the time you know that people are applying for the position because it’s what they need to do to get their dole cheque. You just know that’s why they’re going for the job.’ [Human resources manager, hotel, Gold Coast]

‘We don’t advertise now because you then receive too many NewStart holders who have to complete their job book for Centrelink.’ [Owner, restaurant, Sydney]
Skilled recruitment

Most employers reported that only a small proportion of their workforce is considered ‘skilled’, typically managers and chefs. Filling these positions was more time-consuming and costly than filling unskilled positions:

‘In a restaurant it is hard to get good chefs and managers who are knowledgeable and reliable. Finding a good chef can take four years.’ [Owner, restaurant, Sydney]

‘We have employed over 40 staff over eight years, and it is hard to find experienced staff able to do the job required. Chefs are very difficult to find.’ [Manager, restaurant, Dubbo]

Most employers shared experiences of recruiting for roles where they had little or no interest shown in the position. Employers in all locations reported that chefs are particularly hard to attract – even to an interview. Some employers had invested in the services of specialist recruiters to secure suitable chefs, although this is no guarantee of a desirable outcome:

‘We’ve probably had about half a dozen people that have arranged an interview and they just don’t show. There’s no phone call; there’s no follow up. You ring three or four times, leave messages and … nothing. And I mean, I’d be prepared to take on a chef even if they didn’t show for the interview if you actually got through to them; it’s ridiculous! And so we tend to go through agencies a fair bit and they have some on their books and they’re very happy to send anyone out. [We] pay a placement fee of, you know, four, five, six, seven grand or whatever and you get a month’s guarantee.’ [Owner, café, Perth]

Retention

Employers reported that the challenge of workforce retention is one they constantly strive to address. Workforce turnover is relatively high, particularly for staff employed on a casual basis. In the metropolitan areas of Sydney, Perth and the Gold Coast, staff turnover was high compared with regional areas, where employers reported having a relatively stable workforce (particularly in Dubbo, where there are fewer tourists and travellers):

‘Staff employed casually usually leave after three months, and turnover is 50 per cent after six months and 100 per cent loss in 12 months.’ [Restaurant manager, restaurant, Sydney]

‘Our casual staff turnover is high. For casual staff, 12 months is a long time to stay. For permanent part-time staff our turnover is 30 per cent.’ [Human resource director, hotel, Sydney]

‘My longest serving staff member has been there eight months.’ [Owner, tavern, Perth]

Many younger employees, studying at TAFE or university, have no intention of remaining in the industry once they have obtained their qualifications. If these employees are happy with their pay and conditions they will often remain with their employer for the duration of their study. However, it is also relatively common for these employees to take another job within the industry for a better rate of pay, better working hours, or other more attractive conditions:

‘The only issue we have is younger trained staff who leave to pursue a career in another area.’ [Reservations manager, hotel, Sydney]
Most employers hire students with the knowledge that they are only likely to stay for between one and two years (at most). Employers indicated that they are prepared to hire more students to replace them when they do leave. Many employers also had international travellers in their workforce. These employees can only work for one employer for a maximum of six months, as stipulated in their visa conditions. All employers recognised that these employees can not work for them long-term, but as these employees are often relatively flexible and enthusiastic, employers are happy to take them on:

‘Backpackers are a great source of labour, but they don’t stay long.’ [Owner, backpacker accommodation, Perth]

Employees who require stability and security from their employment arrangements are less likely to remain in a part-time or casual position long-term. Similar low-skilled positions available in the retail industry are more appealing to these employees if they can secure permanent positions. Although the pay is likely to be lower, the appeal of regular hours, and consequently regular income, is more important than a higher hourly rate of pay:

‘We’re losing people to places like Bunnings and Coles where they can get regular work. They can get good sociable hours and they don’t care that they’re just going “cha-ching”. It’s stability that they want as well. They need to pay a mortgage.’ [Human resources manager, hotel, Gold Coast]

Employers reported that their permanent full-time staff had been with them for many years. Employees in permanent full-time positions confirmed this tendency, reporting that as these positions are difficult to secure, staff with full-time permanent positions tend to stay long term:

‘Our full-time staff will stay eight years, but casual and part-time staff are different. I try and hold them for six months following their initial employment.’ [Manager, catering business, Sydney]

‘Most of our full-time staff are stayers for eight to 10 years.’ [Owner, motel and restaurant, Dubbo]

‘Generally, most of our staff stay long-term and will stay 10 years.’ [Reservations manager, hotel, Sydney]

‘I’m very happy where I am, mainly because of being permanent. That’s a big part of my happiness, just knowing that I’ve got that holiday pay and all of that that comes with it. Being [in the industry] over seven years and dealing with so many part-time positions you just get to a stage where it’s just frustrating.’ [Receptionist, hotel, Gold Coast]

Where turnover of permanent full-time staff occurred, it was often as a result of competitors ‘headhunting’ chefs. As chefs are in high demand across the ACR industry, many employers reported extreme difficulty recruiting and retaining them, and frequently reported paying well above the award rate to secure their services:

‘Chefs can move easily to another job because they are in demand.’ [Owner, bar and restaurant, Perth]

Some employers were concerned about future employee shortages, as they have noticed fewer and fewer people are interested in unskilled and low-paid work in the ACR industry:
‘Some of the other deeper issues are things like, "Where will I ever find housekeepers in the future?" Because it doesn’t appear that there’s a new generation of people coming through that are prepared to clean. It’s like we don’t breed them to clean any more. The ones that we’ve got do a fantastic job … but they are breaking with, you know, bending and pushing; the beds get bigger and wider.’ [Human resources manager, resort, Gold Coast]

The most commonly reported method for retaining valued members of staff was to pay above the relevant minimum rate for an employee’s skills and qualifications:

‘I work pretty much off the award. In the cleaning industry there’s about five different levels. Some start on a probationary period for three months. But it depends on them; if they’re good and show initiative early, I’ll increase it earlier. And then the old members of staff, there’s one that’s been there nearly 15 years, she’s on about level five. So for her skills etcetera, it’s probably well above the award, but she’s worth it because of her experience. And she actually does some training with the newer girls.’ [Manager, hotel, Perth]

Employers were asked to share their ideas and individual approaches to workforce retention. This included initiatives beyond the standard non-cash benefits that most businesses offer their staff (such as meals and discounted or free drinks at the end of a shift). These initiatives are implemented to ensure staff understand they are appreciated and valued, and to build strong relationships between managers and staff, and between colleagues:

‘We do incentives like movie tickets, or bottles of wine, or if we have any promotional stuff, we give it out, like a free weekend in a winery. Whatever we get from suppliers we give to our best staff.’ [Restaurant manager, hotel, Sydney]

‘We do incentives, like I’ll take the staff out every two months – my wait staff. We’ll do some team-building exercises, and we might go out rowing, or do something like that. But it’s mainly just go out to a club somewhere and have a beer, or have something to eat. And so we try and do that every second month.’ [Service manager, catering, Sydney]
2.5 Employee profile

2.5.1 Who works in the industry?

The employees from the Accommodation, cafés and restaurants (ACR) industry in this study were predominantly female and of varying ages. Approximately one-third of employees across the ACR industry are aged between 15 and 24 years.\(^2\) Compared with figures for all industries combined, the ACR industry is over-represented by younger people, and under-represented by prime working-aged and mature-aged employees.

The majority of participating employees viewed their current employment as a 'job'; a smaller number viewed their employment as a 'career'. Most employees were unqualified or held the minimum qualification required to perform their role (such as Responsible Service of Alcohol or Responsible Conduct of Gambling certificates).

The age of employees and their perception of their current employment as a 'job' or a 'career' provide effective dimensions for demonstrating the range of employees working in this industry. This is represented in Figure 70 below.

Grouping participating employees in this way is not intended to pigeonhole people who work in the industry; rather, Figure 70 is a basic representation of the different employees involved in this research. There is diversity within each of the broad segments and this diversity is discussed further below.

Figure 70: Segmentation of different types of low-paid employees in the industry

Younger people who see their current employment as a 'job'.

‘I work because I need money. It is only a job. I will only do casual work while I am studying at university.’

Younger people who see their current employment as a 'career'.

‘I work because I have a goal to be a chef and I want to go far in this industry. I also have a passion for food and the preparation practices I do.’

Older people who see their current employment as a 'job'.

‘I work because I need to be employed to live and pay a mortgage and bills. It is just a job. It is not work where you can go anywhere higher.’

Older people who see their current employment as a 'career'.

‘I work because I have to help pay the bills. I see it as a career because it is something I can do and go further in the industry.’

Younger people who see their current employment as a 'job'

As younger workers are over-represented in the industry, and most participating employees saw their employment as a job, this formed the largest of the four segments. Employees in this segment were likely to be students or travellers, and to be employed on a casual basis. A key driver of attraction to the industry for these employees is the flexibility of casual

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\(^2\) Data source: 6291.0.55.003 Labour Force, Australia, Detailed Quarterly.
working hours, which can accommodate university classes, study or other commitments. Many employees in this segment are reasonably satisfied with their rate of pay, as most receive casual loading, as well as penalty rates for early starts, late finishes and weekend work. Compared with unskilled work available in other industries, this work pays well and also offers the flexibility that these younger employees require.

Employees in this segment have a short-term view of their employment in the ACR industry, and see their current employment as a means to an end, essentially as income to support their lifestyle. Those who are studying plan to pursue careers relevant to their fields of study and utilise their qualifications. Those who are travelling, or planning to travel, intend to move on from their current employment following their working holiday or after saving enough money to continue travelling, but may remain in the industry.

- Female, 20 years, Perth – casual café and events worker, also undertaking a Bachelor of Medical Imaging. She works 15 hours per week at $18.24 per hour:

  ‘I work because I need money to pay phone bills, buy petrol, pay car expenses, and be able to go out with my friends. It is just a job, because I am studying at university to eventually have a career and be working in [the] medical imaging area.’

- Female, 18 years, Perth – casual café waiter, also studying towards a Bachelor of Civil Engineering. She works 13 hours per week at $14.50 per hour:

  ‘I work because I need money. It is only a job. I will only do casual work while I am studying at university. The income helps my lifestyle and my parents help me out if I need money.’

- Male, 23 years, Perth – casual food and beverage attendant at a restaurant, also studying horticulture at TAFE. He works 20 hours per week at $17.80 per hour:

  ‘I work because I need the money. It is only a job while I study at TAFE. I need the income. I spend most of my money on petrol, food, and bills. I don’t have much discretionary spending.’

**Older people who see their current employment as a ‘job’**

As prime working-aged and mature-aged employees are under-represented in the ACR industry, and the majority of ACR employees view their current employment as a job, this was the second-largest segment.

Most employees in this segment were women with families, employed on a casual or part-time basis. These employees appreciate the flexibility of casual or part-time employment, which allows parents to work around family and child care commitments.

Although the flexibility provided by the industry, as well as the ease of obtaining work, may partially compensate for the low rate of pay, most of these employees were dissatisfied with their low wages. For employees in this segment, earning a sufficient income to meet their financial commitments is the primary driver to enter or remain in the paid workforce.

These employees entered the industry at a relatively young age and have considerable experience. Many have also returned to the industry after having children. The majority of employees in this segment have a long-term view of their employment and plan to stay in the industry until they retire.
Female, 37 years, Dubbo – casual housekeeper in a motel. She works 15 to 20 hours per week at $18.55 per hour:

‘I work because I have a family to support. It is a job. I cannot see it leading elsewhere in the company.’

Female, 43 years, Hervey Bay – part-time cook in a café. She works 33 hours per week at $17.85 per hour:

‘I work because I like to work and I need to work. It is just a job. I need the income to live from week to week.’

Female, 42 years, Hervey Bay – casual gaming, bar and promotions attendant. She works 25 to 30 hours per week at $19 per hour:

‘I work because I need to provide income for my family. My job is just a casual job. My income dictates my lifestyle and I can only afford what is able with my income.’

Younger people who see their current employment as a ‘career’

As only a small proportion of ACR employees viewed their current employment as a ‘career’, or as leading to a career, these younger employees formed a smaller segment.

The majority of employees in this segment were apprentices or trainees; some had been given opportunities to develop supervisory or managerial skills by their employers. Most were employed on a permanent full-time or part-time basis. Many of these employees are passionate about their work in the industry, and have long-term plans to advance in the industry, using their current employment as a stepping stone.

Because of their apprentice or trainee status, as well as their age, employees in this segment were the most low-paid of all employees who participated in this study. Many are living with and/or receiving financial support from their parents.

Female, 16 years, Gold Coast – apprentice chef in a restaurant. She works 38 hours per week at $7.97 per hour:

‘I work because I like the restaurant environment and I want to learn. I see my job as a career because being a chef is something I have a passion for and enjoy.’

Female, 16 years, Gold Coast – school-based trainee undertaking traineeship in a hotel. She works eight hours a week at $9.70 per hour:

‘I work because I enjoy it and I like meeting people. I see the job as a career. I hope to work in hospitality later on.’

Male, 18 years, Gold Coast – apprentice chef in a restaurant. He works 38 hours per week at $12.10 per hour:

‘I work because I love my career and the hospitality industry. I see it as a career because this is what I would love to do for the rest of my life.’

Older people who see their current employment as a ‘career’

Prime working-aged and mature-aged employees who viewed their current employment as a career formed the smallest segment.
These employees were generally very experienced, and had been in the industry relatively long-term. There were several employees who entered the industry at a more mature age. This was usually after their children had become independent or no longer required intensive parenting. These employees were generally employed on a permanent part-time or full-time basis.

Employees in this segment had a longer-term view of their employment in the ACR industry, and many aspired to operate their own business. These employees valued their current position; they felt that these positions provide opportunities to gain the further experience and training that is necessary for realising their future business plans. Other employees in this segment were looking for opportunities for progression with their current employer. These employees, although frustrated with their low wages, aimed to increase their income by advancing in the industry. They were not satisfied to remain in low-paid positions.

- Female, 41 years, Gold Coast – front office receptionist at a hotel. She works 38 hours per week at $15.79 per hour:

  ‘I work because it enables me to live comfortably and enables me to buy things I wouldn’t normally be able to afford. I see my job as a career as I have options to move higher up.’

- Female, 38 years, Dubbo – bar attendant at a licensed club. She works 20 hours per week at $18 per hour:

  ‘I work because I have to help pay the bills. I see it as a career because it is something I can do and go further in the industry. I work for the income. After paying food, bills, etcetera, there is not a lot of money left for other things.’

### 2.5.2 Work, income and lifestyle

#### Why employees work

The vast majority of employees reported that income is a primary driver for them and that they work because they have to. Many younger employees indicated that pay rates in the ACR industry are relatively high when compared with wages for unskilled work in other industries. Many of these employees choose to work in the industry purely because it offers higher pay rates than other industries; their choice is not related to building skills or gaining experience:

- ‘I work because I need the money to support myself.’ [Pizza deliverer, fast-food outlet, Perth]

- ‘I work because I need to earn money for myself and my mum.’ [Kitchenhand, café, Dubbo]

- ‘I work because I need to provide income for my family.’ [Gaming attendant, licensed club, Hervey Bay]

- ‘I work because I need to pay the mortgage.’ [Waiter, hotel, Dubbo]

- ‘I like to work because the more hours I do, the more money I get. But then it’s not that enjoyable. I’d rather do something else.’ [Food and beverage attendant, racecourse, Perth]
However, as outlined in Section 2.3.2, Attractive aspects of the industry, many employees also reported enjoying their work in the ACR industry. Many particularly like the social nature of their employment and interaction with colleagues and customers. The majority of employees commented on being attracted to the industry because of the flexible working hours and the ease of getting work anywhere in Australia, or overseas.

Most participating young apprentices and trainees reported that they are passionate about their work in the industry, and believe it will lead to a long-term career. Many of these apprentices and trainees live at home with their parents, and unlike older workers, their wages are often not required to meet significant financial commitments:

'I work because I love my career and the hospitality industry.' [Apprentice chef, restaurant, Gold Coast]

'I love my job. That is why I work.' [Apprentice chef, restaurant, Gold Coast]

'I work because I want to become a qualified chef and travel.' [Apprentice chef, licensed club, Gold Coast]

Several mature-aged employees indicated that they work to feel connected to the community, and that they appreciate the opportunity to interact with colleagues and customers. They enjoy utilising their skills and experience and passing on their knowledge to the younger staff members:

'I work in the restaurant at a large hotel on the Gold Coast. I enjoy it, even though it is physically hard. It is fun to interact with people and get out and about.' [Food and beverage attendant, hotel, Gold Coast]

'You get a chance to meet different people and a lot are nice.' [Kitchenhand/cashier, restaurant, Hervey Bay]

The most commonly mentioned attractive aspect of the industry was flexibility. The need for flexibility among younger employees related to balancing work with study at university or TAFE (note that recruitment did not target juniors in the majority of groups). Many young people employed in the industry are undertaking further education on a full-time or part-time basis, and work their shifts around class times and study requirements:

'I work casual on-call and the flexibility is positive because the job can fit with my studies. I can get time off when I need to and there is a lot of variety in the work I do.' [Waiter, café, Perth]

'It is a good job to have when you are studying. I will do it until I finish university.' [Waiter, café, Dubbo]

Prime working-aged employees in the ACR industry generally had dependent children. These employees appreciated the flexibility offered by their employment. Casual or part-time arrangements allow parents to work during school hours or late at night (when a partner or other carer can look after children):

'I have been working in hospitality for 18 months. It is convenient when you have kids and you need a job in school hours.' [Housekeeper, hotel, Gold Coast]

Several mature-aged employees indicated that they were semi-retired or had previously retired but needed the extra income from a part-time job ‘as costs of living are soaring’.
They were looking for part-time or casual work but did not want, or could not perform, full-time work:

‘I just do part-time work at a little restaurant, setting it up and doing dishes. I just love it because I retired last year but you just can’t afford to stay out there [live on the Gold Coast without supplementing pension payments].’ [Kitchenhand, restaurant, Gold Coast]

Employees, particularly those who have skills and experience in the industry, can choose a workplace that is convenient for them. They can choose an employer close to their home or place of study, or they can choose an employer for whom their friends are working:

‘It's like five minutes down the street from where I live so it's really convenient. And then one of my friends got a job [there] so it's just convenience, really.’ [Waiter, café, Perth]

‘Initially I started that because when I was living with my parents, it was only about five minutes walk from the house, so when I moved out they transferred me to another shop, which is just down the road.’ [Pizza delivery, fast-food outlet, Perth]

Some of the younger employees who were studying indicated that the tasks they perform are easy, which is appealing for some university students undertaking demanding areas of study:

‘I've been pretty much been doing the same thing for 15 months now, so it's just kind of routine and I'm just used to it and don't want to give it up.’ [Pizza delivery, fast-food outlet, Perth]

Other young employees are looking for variety in their work to avoid boredom:

‘It's got a lot of variety because you're not at the same place every day.’ [Food and beverage attendant, temping agency, Perth]

A number of employees who had entered the ACR industry following an extended period out of the paid workforce indicated that technology had advanced beyond them and they could not go back to what they had been doing previously. Particularly for mothers returning to work, the opportunities available in the ACR industry offer familiarity. These positions are appealing because returning workers can utilise skills developed in their time outside of the paid workforce:

‘We used typewriters [in secretarial work] and when you came back it was computers. [So] the delay or the time out of the workforce and needing to up-skill and get back into it [is] very hard when you've got littlies. So you just say “I'll make sandwiches or do dishes at night” or whatever you've got to do, you do to pay your bills.’ [Food and beverage attendant, hotel, Gold Coast]

Income

Most employees were being paid between $16 and $18 per hour. Apprentice and trainee participants were being paid between $8 and $12 per hour. (Low-paid employees were deliberately targeted for this research.)

In addition to base rates of pay, many employees received penalties that boosted their weekly pay by between $20 and $200. Some employees noted that they may be taxed at a
higher rate for these hours, and this can have implications if their income is supplementing the income of a partner. Other employees commented that tips add to their take-home pay:

‘We have a base rate and then we have penalties for Saturdays, Sunday, we have penalties for coming in early, we have laundry rate, we have everything, and it all adds up to a reasonable amount.’ [Food and beverage attendant, hotel restaurant, Gold Coast]

‘I get penalties for working late … my shifts are 7 am to 3 pm, 3 pm to 11 pm. I’m much better off on the week I do 3 pm to 11 pm. Double time and a half [for working on a public holiday] is really good but then of course you pay a fortune in tax once you go over a certain amount. So I mean you’ve got to try and work it out.’ [Receptionist, hotel, Gold Coast]

‘The tips are really good. That’s the extra that you get and the pay is not too bad.’
[Door attendant, pub, Perth]

Casual employees received a higher hourly rate (i.e. casual loading) to compensate for not being entitled to personal or annual leave. Some casuals indicated that they prefer having the higher hourly rate, while others indicated that they would prefer the security and stability of a permanent position.

Employees on casual arrangements typically worked between 12 and 20 hours per week; however, the hours of casual work fluctuated significantly depending on availability of work in peak and non-peak periods, as well as the availability of the employee (as a result of study or other commitments). Casual employees may work as few as four hours per week or up to 40 hours per week according to these variables. In the periods they are available, most casuals (for example, students on their holiday breaks) try to work as many hours as possible:

‘I chose my employment purely because I need a job that when I’m on uni holidays or have a week free I can work lots and get money. But I can still get time off when I go on practicals and things like that.’ [Food and beverage attendant, temping agency, Perth]

This fluctuation in the availability of working hours was viewed negatively by some older employees. Many feel compelled to work long hours on consecutive days during peak periods, because during non-peak periods there will be limited opportunities to work:

‘I’ve been [working] in huge hotels and in one particular hotel where you’re working 21 days straight and on that twenty-first day, or the twenty-second day, they’d be calling you in, and you just keep going and going and going. The shifts were even like 10 to 12 hours. That was casual, and there were only a certain [number of] permanent part-timers and it’s taken me a long time to get a permanent part-time [position].’ [Housekeeper, hotel, Gold Coast]

Part-time employees reported working between 20 and 37.5 hours per week; full-time employees generally reported working around 38 hours per week. Participants employed in permanent positions stated that they receive between $16 and $18 per hour. Due to commitments outside of work, including caring for young children, many of these employees did not want or were not available to work late at night or on weekends. Therefore, these employees did not receive penalty rates for many of the shifts they worked, although they were entitled to annual and personal leave.

Most of the apprentice and trainee participants in this research were in the first or second year of their training arrangement. These employees reported receiving between $8 and
$12 per hour. Most are being supported financially by their parents while living at home so they are more easily able to live on low wages:

‘Being an apprentice, the income isn’t great. After bills, there isn’t much left over.’
[Apprentice chef, restaurant, Gold Coast]

‘Income is important because I can live on the money I earn, but it is not enough.’
[Apprentice chef, restaurant, Gold Coast]

Some employees reported not receiving penalty rates for late night or weekend shifts, generally because penalty rates were not available in the workplace agreement under which they were employed, though many did not understand why. Other employees reported that their employer’s business was not open when penalty rates would apply (for example, it is closed on Sundays):

‘We don’t get penalty rates, and the pay is low.’ [Barista/waiter, café, Dubbo]

‘In the restaurant we don’t get any penalty rates. I don’t understand. What if Christmas Day happens to fall on a Saturday? Well, that’s not deemed as a public holiday so we’ve got to come in to work on Christmas Day, and bugger your family – you just work [for] the normal rate of pay.’ [Front-of-house attendant, restaurant, Gold Coast]

For some employees, wages from work in this industry may be supplementing government allowances (usually Youth Allowance). These employees use the flexibility available in their employment to regulate their hours of work and control their income from paid employment, therefore maximising their income from government allowances. Examples of this include:

• a female waiter who restricted herself to working 15 hours per week to avoid losing her entitlement to Youth Allowance
• a male bar attendant receiving Youth Allowance who reported that ‘about 15 hours a week is perfect because then you start losing out’.

There were also examples of international students, who are restricted to working 20 hours per week under their visa conditions.

**Non-cash benefits**

Participating employers and employees mentioned a range of non-cash benefits that were used to reward and retain employees in the ACR industry, including:

• employee of the month awards or performance-based awards;
• free meals during or between shifts;
• coffee and soft drinks during shifts;
• free alcohol on completion of shift;
• discounted meals and drinks when not working;
• gifts such as football tickets or gift vouchers; and
• use of company vehicles.

Although many employees appreciated non-cash benefits because ‘it encourages you to stay with the employer’, most also expressed the sentiment that they would ‘rather have a
higher rate of pay'. These non-cash benefits are not sufficient to attract employees to the Accommodation, cafés and restaurants industry, or prevent employees from leaving the industry, but they may prevent an employee leaving one employer in the ACR industry for another.

Income and lifestyle

The majority of employees felt that their low income dictates their lifestyle. In many cases, their income provides just enough to allow them to pay the bills. Many participating employees commented on the financial pressures they face, and the fact that their income does not support life beyond the necessities:

‘I don’t get enough money to live comfortably.’ [Waiter, hotel, Dubbo]

‘I need the income. I don’t earn enough to have a lifestyle.’ [Housekeeper, motel, Dubbo]

‘I need the income. I am a single mum and carer and I could not survive otherwise.’ [Service attendant, restaurant, Gold Coast]

‘I need the income to live from week to week.’ [Cook, café, Hervey Bay]

Apprentices and trainees were reportedly on lower hourly rates; however, they also have fewer financial pressures. Even so, many apprentices and trainees commented that their pay is only just sufficient to cover their basic expenses. Many apprentices and trainees live with and/or receive financial support from their parents:

‘I indicated income, because being an apprentice the income isn’t great. Therefore, after bills, there isn’t much left over.’ [Apprentice chef, restaurant, Gold Coast]

‘Income dictates my lifestyle.’ [Apprentice chef, restaurant, Gold Coast]

‘Income is important, but it is not enough.’ [Apprentice chef, licensed club, Gold Coast]

Though not common, it was evident that some employees took on two or more jobs because they couldn’t get the hours they wanted or needed:

‘I mean, you end up working two jobs.’ [Bar attendant, licensed club, Dubbo]

‘I need the income and have to have more than one job because I don’t get enough hours.’ [Waiter, licensed club, Dubbo]
2.6 Impact of increased minimum wage

2.6.1 Awareness and understanding

There was very low awareness and very limited understanding of the mechanisms for determining Federal Minimum Wages among both employer and employee participants. Very few participants could recall the Federal Minimum Wage rate. A minority of employers and very few employees claimed to be aware of the Commission when prompted. However, when the role and functions of the Commission were broadly explained to the research participants, participants strongly endorsed the process of reviewing and adjusting Federal Minimum Wages on a regular basis:

'It is important to have a base to be fair.' [Owner, café, Hervey Bay]

'I am glad that the Australian Fair Pay Commission exists.' [Owner, catering business, Gold Coast]

Most employers felt that it is important to protect low-paid employees and ensure they are not taken advantage of by unscrupulous employers. There was also widespread recognition among employers that minimum wage rates need to keep up with basic costs of living:

'The minimum wage going up is okay. I am personally not against it, because it does ensure a low-wage person is living comfortably.' [Owner, backpacker accommodation, Perth]

'In hospitality there are a lot of companies who want to pay low wage rates. But having a minimum pay rate provides a platform to help employees and it is beneficial.' [Food and beverage manager, hotel, Sydney]

'It is positive to have minimum wage rates to ensure people are not taken advantage of.' [Manager, restaurant, Sydney]

'It is positive because people have to survive. We all can experience that. But I don’t want to pay for it because I cannot afford it.' [Owner, tavern, Dubbo]

While the majority of employers agreed that reviewing and increasing minimum wages on a regular basis was important, several complained about the negative impact this has on their profit margins, particularly when input costs are also increasing:

‘Thirty cents doesn’t sound much of an increase but at around $800 extra cost a week by 52 weeks it means an extra $40,000 annual revenue you have to find. The problem is, all costs are going up and it is difficult to put up your prices to customers.’ [Manager, restaurant, Dubbo]

‘Everything is going up, so your pay is going up, but everything goes up. You know, it’s very hard to get by, not just for employers, for staff, everyone. Everyone thinks because you’ve got your own business you must be rich; it’s the total opposite.’ [Manager, restaurant, Gold Coast]

A positive perception of minimum wage reviews and adjustments emerged among employee participants. They believed that an organisation such as the Commission would help protect workers receiving very low wages; they commented that many employers are not likely to increase wages unless they are required to do so. However, some
employees felt the Federal Minimum Wage is currently too low and needs to be increased considerably. Many suggested amounts significantly higher than the Federal Minimum Wage rate as at June 2008 ($13.47):

‘The minimum wage is a good idea but the pay rate is too low. The rich get richer and the poor get poorer.’ [Bar attendant, motel, Hervey Bay]

‘The problem is that pay rates have to be high enough so that you can pay the bills. But the minimum should be the dead minimum, and no-one should be paid less than that, and the minimum should be $15 per hour.’ [Food and beverage attendant, bar, Dubbo]

2.6.2 Impacts for employers

As outlined previously in this report, most employers reported that labour costs form a relatively large portion of total expenses for their business. Therefore, any adjustment in minimum wages that flows on to their business has a significant impact on total operating costs, and ultimately on profit levels.

When asked how they manage an increase in staff pay rates, most employers indicated that wherever possible they would look to maintain profit levels by passing on the increased cost to customers through increasing the price of services or consumables:

‘[We’d] have to increase prices to keep our net profit margin.’ [Owner, fast-food outlet, Hervey Bay]

However, a number of employers strongly emphasised that this strategy would only be implemented ‘where possible’. Although increasing prices was the top-of-mind response for almost all employers, this was often qualified – these employers also stated that the long-term impact on revenue would need to be assessed before any adjustments to prices could be made:

‘As much as possible the cost would be passed on to the customer.’ [Owner, tavern, Perth]

‘Prices will increase as far as demand will allow.’ [Owner, café, Sydney]

‘You would need to increase food and beverage prices and room rates wherever possible.’ [Manager, hotel, Gold Coast]

The second most frequently cited response to an increase in pay rates was reducing the number of staff per shift, effectively reducing the number of hours in the staff roster. Employers who mentioned this strategy sought to maintain their pre-implementation wages bill by reducing the number of staff hours to offset the increase in pay rates. These employers would aim to have the minimum number of staff possible without negatively affecting service levels. This approach was particularly important during slower periods and was most commonly reported by businesses in seasonal markets:

‘We monitor our wage costs all the time, every day: every morning I check. You have to monitor it very closely because it can creep up very, very fast. If wages go up, I would reduce the number of staff per shift.’ [Owner, restaurant, Gold Coast]

‘We would do smarter rostering when times got quieter.’ [Manager, hotel, Sydney]

‘I would use less staff on slower nights.’ [Manager, fast-food outlet, Hervey Bay]
‘I’d send casual staff home at every opportunity.’ [Human resources manager, resort, Gold Coast]

Another commonly mentioned adjustment was for employers to personally work an increased number of hours in a service-delivery role (often to compensate for reducing the number of hours worked by paid staff). Many employers recognised that personally working more hours is not a desirable long-term response to increases in staff pay rates, as this strategy is not sustainable. However, for those responding to the increase in pay rates at the implementation deadline this often seems like the most practical option – particularly in cases where business operating margins are tight. Some owner/operator employers identified that they would personally work those shifts that would otherwise attract the highest labour costs (hours that attract shift allowances and penalty rates), such as weekends and public holidays:

‘I try and shorten the shifts and increase my own hours. Costs are rising and hard to absorb. But if you increase prices your customers complain.’ [Owner, tavern, Hervey Bay]

‘We had to reduce our table-waiting staff hours, and increase our own hours on closing shifts.’ [Owner, motel and restaurant, Dubbo]

‘I will have to work on public holidays.’ [Manager, café, Gold Coast]

For most participating employers, reducing or changing elements of service delivery (e.g. using lower-quality ingredients) was not an option they would consider. Almost all employers felt that the success (or otherwise) of a business in the ACR industry hinges on the quality of the product and service provided to customers. A number of employers did identify areas of their business that were less profitable, and indicated that they may streamline their business operations. This often involved cutting back on services, which would result in a reduced number of hours for staff:

‘I would change the way the business works a little bit. Maybe change the hours of the kitchen, because it seems that the kitchen is not making me the money. It’s the coffee and milkshakes and front-of-house stuff. [That’s] where the good percentages are for me. So I would have the kitchen open less, make things not so fussy, streamline things in the kitchen and keep my front of house open for longer.’ [Owner, café and kiosk, Hervey Bay]

2.6.3 Impacts for employees

When employees were asked to identify the likely impact of an increase in the minimum wage on them and their lifestyle, most felt there would be minimal benefit. Most employees’ recollections of changes to pay rates were that the increases were very small and did not keep up with the cost of living. Employees indicated that, at best, any increase in minimum wages allowed them to maintain their existing lifestyle, rather than improve it in any meaningful way:

‘Twenty cents – that’s nothing.’ [Apprentice chef, restaurant, Gold Coast]

‘$13.47 to $13.74. Sorry, but that’s ridiculous. You don’t even notice something like that in your pay.’ [Bar attendant, hotel, Hervey Bay]

‘Well, it’s [the wage] not changing with the cost of living. I mean, everything [else] is going up, but it’s not.’ [Waiter, café, Dubbo]
'It doesn't make a huge amount of difference because it only ever goes up by less than $1.00 an hour.' [Housekeeper, hotel, Gold Coast]

Employees were asked what impact they foresee minimum wage increases having on their employment. The initial reaction from many participating employees was that very little would change. After some reflection, the most common responses were that employers would cut costs or increase their prices:

‘At the place I work, I'd imagine they'd just put up the price of everything.’
[Waiter, café, Perth]

‘We'll put up beer by 50 cents. You know, reimburse the cost somewhere.’
[Bar attendant, licensed club, Dubbo]

‘They would probably increase the cost of a meal. Those that can afford to be eating there – wouldn’t bother them, would it?’ [Kitchenhand, restaurant, Hervey Bay]

‘They'll put the prices up and cut down staff as well and bring the balance back up again.’ [Food assistant, fast-food outlet, Gold Coast]

There was a view among some employees that their employers would implement cost-saving strategies, possibly to the detriment of service levels or conditions for staff. Some employees felt that there would be fewer shifts, or fewer staff to maintain delivery of services:

‘But if you put the wages up, some poor little bugger is out of work.’ [Food and beverage attendant, hotel, Gold Coast]

‘I know where we work, if there is a significant pay rise, like five per cent or whatever, they do take hours off.’ [Housekeeper, motel, Dubbo]

‘If they increase the wages, employers would look at getting more work out of less staff.’
[Bar attendant, hotel, Hervey Bay]

Other employees suggested that employers may hire junior staff on lower pay rates, and give these staff shifts in preference to the experienced senior staff (who are more expensive for the business):

‘They might get rid of me and all the others there and replace us with a couple of 16-year-olds that have worked for McDonald’s.’ [Waiter, restaurant, Hervey Bay]

‘I think they just might not employ older people if they had to get more people. Age would come into it.’ [Bar attendant, hotel, Perth]

Some employees reported that their employers were already at minimal staff levels and that it wouldn't be possible to cut back any further without reducing service delivery:

‘We run at minimum staff anyhow. I mean, you just couldn’t afford to have any less staff than what we’ve got now.’ [Housekeeper, hotel, Gold Coast]

‘Where I’m working they couldn’t afford to retrench; we have the bare minimum staff. There is no way they could let anyone go.’ [Bar attendant, hotel, Sydney]
A minority of participating ex-employees felt that lower quality or fewer services would be provided to customers:

‘They’ll cut the service standards; they’ll cut the service sizes. They’ll cut everything to make sure they still keep their dollars at the end of the week.’ [Ex-waiter, restaurant, Hervey Bay]

‘They would try and cut back and not serve quality food.’ [Ex-waiter, café, Perth]
Appendix A: Discussion guides

The employer discussion guide followed the broad structure outlined below:

**Introduction:** The facilitator introduced the broad topic and explained the session structure and rules. Participants were asked to introduce themselves and the organisation they were representing (as an owner/operator or manager).

**Business and employment practices:** Discussion centred on current trends and challenges for the industry. General business processes and procedures were discussed, with emphasis on employment practices.

**Wage rates and wage decisions:** Participants were asked to comment on how wage rates are determined for the different types of employees in their organisation. Detail was sought on what they considered important when deciding how much employees should be paid. Participants were given a worksheet which listed a wide range of attributes and factors that may be considered when determining pay rates for employees. Participants were also encouraged to share any other ideas they had that were not covered in the worksheet. They were asked to indicate all important considerations, and then highlight the three most significant considerations.

**Minimum wages and impact of changes:** Participants were asked to comment on the impact of changes in minimum wages for their organisation. They were asked to consider any potential changes to the operation of their organisation as a result of increased labour costs through increased pay rates. Participants were given a worksheet which listed a broad range of potential adjustments that organisations could make in response to increased labour costs. Participants were also encouraged to share any other ideas they had that were not covered in the worksheet. They were then asked to indicate all adjustments they would consider implementing in response to increased labour costs. Where participants had actually made adjustments, they were encouraged to provide details of the change.

**The Commission and minimum wages:** The focus group session concluded by exploring awareness of wage-setting mechanisms in Australia, changes to Pay Scales, and knowledge of the Australian Fair Pay Commission and its role.

The employee discussion guide followed the broad structure outlined below:

**Introduction:** The facilitator introduced the broad topic and explained the session structure and rules. Participants were asked to introduce themselves and provide details of their current employment.

**Lifestyle and work choices:** Discussion explored the relationship between income and lifestyle. Participants were asked about the positive and negative aspects of their employment in the industry. In the groups where participants had recently left the industry, the reasons behind this decision were explored in depth.

**Wage rates and wage decisions:** Participants were asked to comment on their perceptions of how wage rates were determined in their workplace. They were then asked what factors they believed should be considered when setting pay rates in their workplace. Participants were given a worksheet which listed a wide range of attributes and factors that may be considered important when determining pay rates in their workplace. Participants were also encouraged to share any other ideas they had that were not covered in the
worksheet. All participants were asked to indicate all the important considerations, and then highlight the three most significant considerations. Participants were asked about the practice of negotiating wage rates with their employers. Additional sources of income beyond standard hourly wages (including shift allowances/penalty rates and bonuses) were detailed by participants.

**Minimum wages:** Discussion focused on any recent pay increases employees had received and what these increases were attributed to. Participants were asked to comment on the perceived impacts of changes in minimum wages.

**The Commission and minimum wages:** The focus group session concluded by exploring awareness of wage-setting mechanisms in Australia, and knowledge of the Australian Fair Pay Commission.

**Discussion guide: Employer groups**

This discussion guide is intended as an outline only. There will be considerable scope within the discussion for exploring issues as they arise. Questions are indicative only of subject matter to be covered and are not word-for-word descriptions of the moderator’s questions.

1. **Introduction to the session**  5 minutes

The CBSR moderator will introduce participants to the study (about business and employment activities) and explain the purpose of this discussion group – to have participants talk about their employment and business decisions, and their experiences and business perspective relevant to employing people.

The moderator will explain role of CBSR as an objective third-party researcher with no hidden agendas, and encourage participants to be open and frank during their discussion.

The CBSR moderator will explain the confidentiality issues which will apply – audio and/or video taping of the session, and client viewing (if applicable).

The CBSR moderator will also explain that the study has been commissioned by a national statutory body and that specific details of that agency will be explained as the discussion proceeds. The moderator will also explain that some people may be observing who are from that organisation.

The moderator will also explain the session structure which will include discussion and activities, such as writing notes or private questionnaire completion, followed by a chance to discuss issues with the client at the end of the session.

Finally, the moderator will explain the facilities being used, ask everyone to turn off mobile phones, encourage participants to talk one at a time, and endorse participants to agree or disagree (and not necessarily to gain consensus).

2. **Getting started**  up to 10 minutes

Begin by going around the table asking participants to introduce themselves and ask them:

- to talk about the business they have/work for: what sector, number of employees they have.
- to indicate the make-up/structure of their workforce, how many:
– permanent/casual
– full-time/part-time
– low-skilled (low-paid) workers vs. skilled (higher-paid workers). Note: $18.42 ph or less is ‘low-paid’

• to talk about what attracted them to the industry; have they worked in other sectors, or run/owned businesses in other sectors?

3a. Business and employment practices  10 minutes

Now the moderator will ask participants to discuss:

• general business trends in their sector and/or the local economy (and any issues or trends in business and pressures being faced)

Every participant's opinion will be covered to canvass the following:

• Generally how easy or hard it is to fill positions? (Ask each participant to give a rating out of 10.)
  – How challenging is it to fill low-skilled (low-paid) position with limited experience/ qualifications?
  – How challenging is it to fill higher skilled (higher-paid) position with experience and/or qualifications?

• Probe for any discrepancy between the ratings. Discuss which types of positions are easier/more challenging to fill: permanent/temporary roles, full-time or part-time/casual.

• How has the recruitment experience changed over time?

• Probe for anyone having to compromise on the quality of staff they employ. Or does it take longer to fill positions?

• Ask for a couple of interesting examples of recent recruitment where there have been challenges, or where it was surprisingly straightforward.

• Probe on whether these were newly created positions or replacements, and what employment status they were offering – permanent/casual or full-time/part-time.

Every participant's opinion will be covered to canvass:

• How do they run their business? Is it a formal approach or informal approach in their operations? (If informal methods are used, ask participants for their definition of ‘informal’.) Explore why the specific approach is used. Then probe on their recruitment practices (formal or informal).

3b. Business and employment practices (incl. wages)  15 minutes

Briefly discuss how they determine the pay rates in their business. Ask for examples of a position they are recruiting for.

Probe if necessary on whether they go by market rates, what is in the award (state award or Pay Scales, formerly the Federal Award) or if they pay above these rates.

Do they advertise a pay rate the business has decided on or do they make a judgement based on quality of applicants? Do they include the applicant in negotiations?
Identify if any participants have experienced difficulty in finding labour and needed to increase the pay rate on offer – for higher skilled or lower skilled positions.

Probe on whether they have flexibility to offer income beyond hourly rate of pay (salary sacrificing/salary packaging) or any non-cash benefits (food, accommodation etc) – just YES/NO at this stage.

Briefly discuss the impact of being short of staff due to recruitment difficulties – how much of a ‘problem’ is it to overcome (e.g. is the burden on current employees to work more productively, work long hours, or do service levels drop and impact on revenue etc).

Identify how long staff usually stay with their business. Discuss the differences by permanent/casual, full-time/part-time, higher-skilled/lower-skilled. Ensure you ask everyone how long employees would generally stay. (Do they have a stable workforce?)

Probe to uncover if staff are pushed out of employment (because of slow business or poor quality performance) or pulled out (because other options were available, there was better pay/conditions elsewhere, etc). If so, where are they losing them to – another employer in the sector or another sector, or to study etc?

Have participants consider and discuss what they do to retain their workforce. Probe on anything they do to make their employees feel valued. Or is steady turnover just the way it is?

If not already covered, ask if their lower skilled staff have opportunities to learn/train and progress through the business to higher pay with increased skills and experience (e.g. move up).

4. Wage rate decisions 15 minutes

The moderator will now have participants discuss exactly how wages are determined in their workplace:

- award rate – reference it, use it as a guide, or pay the minimum required
- Pay Scale – reference it, use it as guide, or pay the minimum required
- workplace agreement
- AWAs
- market rates
- individual negotiations.

Explore different arrangements by different types of employees: low-skilled vs. higher skilled/permanent vs. casual/full-time vs. part-time.

Discuss the actual mechanisms used to set pay rates in their business and why they use this mechanism/system for determining the pay rate.

If participants are paying above what they legally have to, probe on the extent of paying above the minimum rate they need to for particular staff. Understand how they decide how much, and why they pay above the minimum rate required by law.

(Ensure you understand why, how much and determination of pay rates if they are paying above the minimum required by law).
Now encourage participants to consider what kinds of things should be considered when deciding how much to pay people. Hand out Sheet 1 to prompt their consideration:

**Show Sheet 1** showing different drivers – skills, attitude, supply, worth/value to the business, experience, age, wage rate/labour cost, government subsidy available, length of service, level of commitment, long-term prospects, what I can afford, what I am required to pay by the award, education levels, age, seniority, experience, social justice, training fair and reasonable, what other employers pay, training, juniors, incentives for retention.

Clarify that by ‘market rates’ we mean that we are interested to know the importance of what competitors are paying when they make decisions about setting wage rates.

Ask participants to mark on the sheet all considerations, and then the top three considerations from their perspective.

The moderator will now probe on attitudes and perceptions about what factors are important, and the reasons why.

Probe to clarify if any of these factors are currently taken into consideration when setting pay rates in their business. This is more likely for those paying staff above the minimum wages required by law.

Ask each participant about any income employees receive beyond an hourly rate or non-cash benefits:

- penalty rates (for overtime, or for working public holidays/weekends)
- performance-based payments (including bonuses or commissions)
- salary packaging/sacrificing (what is included, what is the limit)
- tips
- non-cash benefits (food, accommodation, drinks, transport, etc.)

Ask participants to think back to the structure of their workforce (discussed at the beginning). Discuss if this is deliberate and if it is related to labour costs/pay rates for different staff in their business.

Are they managing a wages bill or monitoring labour costs on a regular basis – weekly or fortnightly, monthly, or perhaps more often?

Ask participants about the impact of penalty rates on their wages bill.

Lastly for this section, ask participants if any of their staff are:

- working more than one job
- receiving government allowances, and if this impacts on how much they are paid or how many hours they work.

5. Minimum wages and impact of changes 20 minutes

Now the moderator will prompt employers to consider real examples of reactions to increased labour costs.
Ask all participants to advise how often wages go up in their business. Clarify whether this is a business decision or if it is imposed by an external body.

Ask participants who have had increases imposed on them (most likely those who pay award wage rates or use Pay Scale rates) to remember a time when wages went up for their employees.

Give an example of when an increase was imposed, rather than a business decision. Ask these participants to explain why pay rates increased (the circumstance), how many staff this affected and whether they were low-paid or higher paid. Then describe what happened as a result of the increase (i.e. how their business reacted to it).

Probe on whether they make changes or if they absorb the increase and accept a reduced profit level.

Changes to probe on include:

- prices
- employment strategies, e.g. employee rosters, hours, employment type, worker classification
- business strategies including your operating (opening) hours
- business offering – products or your services.

Now have any other participants describe the circumstances and reactions of their business to any recent (in the last 12 months) increases in labour costs (pay rates for staff).

**Show Sheet 2** showing potential changes to business operations as a result of increased labour costs through an increase in pay rates.

Ask participants to mark (with an X) any changes that they would make to their recruitment strategies or broader business strategies as a result of an increase in staff wages (or the factors they would consider).

Encourage participants to provide some detail about the changes in the space provided.

Ask for examples to be discussed and probe for details.

Probe on how many/what percentage of the workforce was affected by the changes to give context to the level of change required.

Does their business plan for changes in pay rates for staff (budget for increases), or are they reactive to changes imposed on them or demanded/expected by staff?

6. The Commission and minimum wages  15 minutes

Ask about participants' sources of awareness about wage-setting decisions, and information sources relied upon.

Probe on specific sources of awareness of Federal Minimum Wage decisions and consequential changes to Pay Scales and information sources relied upon.

If not raised already, the moderator will ask, ‘Before today, had you heard of the Australian Fair Pay Commission?’
Please read this to participants to ensure accuracy of info:

The Australian Fair Pay Commission is an independent body responsible for adjusting Federal Minimum Wages (Pay Scales).

The last decision was announced in July 2007, which was an increase from $13.47 to $13.74. Businesses were given until the first pay period in October to implement the increase.

The next decision will be announced in early July this year, with an implementation date of October.

Ask participants whether or not they were aware of the July 2007 decision that took effect in October 2007.

Were they aware that the Commission will announce a decision in July this year, with an implementation date of October 2008?

The moderator will also probe and explore the participants’ views on the possible impact of the minimum wages adjustment on their business.

For participants whose businesses are directly affected by the adjustment (follow Pay Scales):

- Ask about the likelihood of making any of the changes discussed earlier.

Clarify with participants who are affected by changes in minimum wage rates:

- When do you adjust pay rates for your employees – when it is announced or by the deadline for implementation (first pay period in October)?

For participants whose businesses are not directly affected by the adjustment in July (workplace agreement/AWAs/paying above the minimum wages required by law):

- Do you review and perhaps adjust your pay rates in response to the increase in Pay Scales?
- If yes, clarify by how much – similar percentage/amount to the Pay Scale increase, or smaller, or larger [Note: They would be likely to be doing this to retain staff by ensuring their competitive advantage over other businesses in the local economy, not just within the sector, but in other sectors].

Finally, gauge opinions on whether increases in minimum wages are a positive thing for:

- their businesses’ growth prospects
- their employees/workers across the sector generally
- the community (concept of a safety net, so that people are not exploited).

Thank and close

Thank participants for their time today and the useful views and ideas expressed.

Explain that the Commission uses a combination of commissioned research, meetings with stakeholders, public consultations and written submissions to inform its wage-setting decisions.
The Commission operates under a cycle of information-gathering, then decision-making, communication of decision, and then monitoring of impacts. This research is addressing the monitoring of impacts on particular sectors. We are conducting focus groups across the country.

Hand out incentives and letter from the Commission.

**Discussion guide: Employee groups**

This discussion guide is intended as an outline only. There will be considerable scope within the discussion for exploring issues as they arise. Questions are indicative only of subject matter to be covered and are not word-for-word descriptions of the moderator’s questions.

1. **Introduction to the session**  
   5 minutes

The CBSR moderator will introduce participants to the study (about employment and decisions which people make in their work and life) and explain the purpose of this discussion group, which is to have participants talk about their employment and experiences and their perspective relevant to working in their sector.

The moderator will explain the role of CBSR as an objective third-party researcher with no hidden agendas, and encourage participants to be open and frank during their discussion.

The CBSR moderator will explain the confidentiality issues which will apply, audio and/or video taping of the session, and client viewing (if applicable).

The CBSR moderator will also explain that the study has been commissioned by a national statutory body and that specific details of that agency will be explained as the discussion proceeds. The moderator will also explain that some people from that organisation may be observing the session.

The moderator will also explain the session structure, which will include discussion and activities such as writing notes, or private questionnaire completion, followed by a chance to discuss issues with the client at the end of the session.

Finally, the moderator will explain the facilities being used, ask everyone to turn off mobile phones, encourage participants to talk one at a time, and endorse participants to agree or disagree (and not necessarily to gain consensus).

2. **Getting started**  
   up to 10 minutes

Begin by going around the table asking participants to introduce themselves and ask them:

- to talk about the type of work they do (their position and also the activities of the business or organisation they currently work for)
- to indicate the type of working situation they have (full-time/part-time, permanent or contract) and who determines the hours they work – their employer or themselves
- to indicate the length of time with their current employer
- to indicate the type of ‘lifestyle’ they have (family/life circumstances, e.g. have partner/don’t have partner, have children/don’t have children). Determine if independent or dependent on parents/partner
- to indicate where they live (the area) and if they’re currently renting, or have a mortgage.
3. Lifestyle and work choices  40 minutes

Brief discussion on how the participant feels about working at the moment, and their views on being employed generally (positives and negatives), and the extent to which paid employment fits in with their lifestyle.

Every participant's opinion is to be canvassed.

Discuss responses from the pre-group sheet, particularly the income or lifestyle response. Probe on what constitutes their current income. How much is from their standard hourly pay rate, and then what other sources, e.g. wages from this job, tips/bonuses, government allowances, their partner’s wages, etc.

Discuss current lifestyle and what, if anything, they feel they are missing out on (e.g. owning a home, having [more] children, socialising, going on holidays etc).

Discuss what attracted them to work in the sector under review.

Discuss how long they have worked in the sector, and what other positions they have had in the sector.

Discuss what other sectors have they worked in and why they left.

Probe on how long they expect to be in their current employment, then how long they would like to be in their current employment.

Probe on how long they expect to be working in the sector, and then how long they would like to be in working in the sector.

Ask participants to refer to responses from the pre-group sheet completed about current employment being a ‘job’ or ‘career’ and determine whether they will remain in the sector long-term, or if their employment is short-term.

Now canvass opinions generally across the group on:

- the positives and negatives of working in the sector
- whether it was easy or hard to find the job they currently have, and probe why
- the decisions they made or considered before taking their current job
- if their current job is a ‘stepping stone’ to other opportunities in the sector, or elsewhere (receiving formal or on-the-job training to up-skill themselves)
- whether they would consider leaving their current job (and if not, what are the motivations for staying in the current job)
- probe for anything that specifically their current employer is doing to retain them in their workforce (cash-related benefits, or non-cash benefits). Are they doing anything to make them feel valued, etc.
- identify reasons for such considerations for leaving or staying in their current job
- whether they perceive it would be difficult to move out of their current job (in the sector under review), and whether they perceive it would be challenging to find another job in the sector or outside the sector; the impact of perceptions on how the sector is performing on this decision


• whether they have considered leaving the paid workforce.

The moderator will explore further considerations not already covered with prompting to cover:

• pay rates (hourly rate or weekly wage)

• payment method, including cash (in hand) at the end of the shift, weekly, fortnightly, monthly etc., and the importance of this

• working hours

• worksite location and transport issues

• availability of accessible childcare (and associated costs)

• requirements of the job and skills required (what is involved in undertaking the role, and whether it is an unskilled or skilled position)

• attitude/environment of the potential employer (such as formal processes or informal, the atmosphere of the workplace, etc.)

• the impact of having paid employment on income from any government allowances or concessions received (e.g. health care card).

Now the moderator will encourage discussion to cover if participants have ever been pushed out of employment (because of slow business or poor-quality performance, etc.) or pulled out (because other options were available, there was better pay/conditions elsewhere etc.).

4. Wage rates and wage decisions  20 minutes

The moderator will now have participants discuss how wages are perceived to be determined in their workplace:

Explore:

• different types of employees and different types of jobs in their workplace

• perceptions that participants have about their wage rate compared to other people of the same age or people doing similar jobs.

Probe for:

• younger (junior wages)/older

• casual (temporary)/permanent

• part-time/full-time

• skilled/unskilled

• qualified/no qualifications

• relevant experience/limited experience.

Now the moderator will have participants discuss:

• how they know how much they are (legally required) to be paid

• the rate of pay they expect for the work they do/how much their labour is worth. Probe on whether they are over-skilled or under-skilled for their current position
• the rate of pay they require to meet their lifestyle needs and commitments
• the extent they have negotiated any pay increases
• the impact of the pay rate they receive relative to non-hourly rate benefits (such as penalty rates and bonuses)
• for permanent staff, the importance of sick leave, annual leave and so on
• for those working casually, the impact on their budgeting of having a variable wage
• the impact of their pay rate received relative to receiving non-cash benefits (such as meals, accommodation, etc.).

Now encourage the participants to consider what kinds of things they consider important when deciding how much they should be paid. Hand out Sheet 1 to help prompt their consideration:

**Show Sheet 1** showing different drivers – skills, attitude, worth/value to the business, experience, age, wage rate/labour cost, length of service, level of commitment, long-term prospects, the relevant award, education levels, age, seniority, experience, being trained or skilled, what other employers pay, juniors vs. seniors rates, incentives for retention.

The moderator will now probe fully on attitudes and perceptions held by participants about what factors are important – and the reasons why. Ask participants to mark on the sheet ALL considerations, and then the TOP three considerations from their perspective.

5. Minimum wages  10 minutes

The moderator will now explore minimum wage issues by asking:
• Have they received pay increases in the past 12 months? If yes, what was the impact of this for them personally, and for their colleagues and the business they work for/worked for at the time?
• Who/what did they attribute the increase(s) to?
• Who sets the minimum wage (if this hasn't come up already), or what authority/authorities adjust pay rates for wages in the sector?

The moderator will also probe and explore the participants’ views on the possible impact of minimum wage increases on:
• their current employment
• their current employer’s decisions to employ new staff, or retain existing staff, the allocation of hours across the workforce, penalty rates or overtime, training, and so on.

Probe also for future possible employment prospects, particularly decisions participants would consider if they lost their job or suffered reduced hours. Would they consider different employment structures to what they currently have (such as full-time, part-time, casual employment structures/temporary, and permanent)? Would they change their lifestyle to fit in with work on offer?

Probe to gauge opinions on whether increases in minimum wages are a positive thing for:
• their income/lifestyle
• their prospects to up-skill and move out of low-paid employment, and
• their long-term employment prospects.
6. The Commission 5 minutes

The moderator will now explore participants' awareness of the Australian Fair Pay Commission:

If not raised already, the moderator will ask, ‘Before today had you heard of the Australian Fair Pay Commission?’

PLEASE READ THIS TO PARTICIPANTS TO ENSURE ACCURACY OF INFO:

The Australian Fair Pay Commission is an independent body responsible for adjusting Federal Minimum Wages (Pay Scales).

The last decision was announced in July 2007, which was an increase from $13.47 to $13.74 in the Federal Minimum Wage. Businesses using pay scales to determine pay rates for their employees were given until the first pay period in October to implement the increase.

The next decision will be announced in early July this year, with an implementation date of October 2008.

The moderator will also ask the participants whether or not they were aware that a Minimum Wage Decision was announced in July 2007 and took effect in October 2007.

Ask whether they are aware that the Commission will announce a decision in July this year, with an implementation date of October 2008.

Thank and close

Thank participants for their time and the useful views and ideas expressed.

Explain that the Commission uses a combination of commissioned research, meetings with stakeholders, public consultations and written submissions to inform its wage-setting decisions.

The Commission operates under a cycle of information-gathering, then decision-making, communication of decision, and then monitoring of impacts. This research is addressing the monitoring of impacts on particular sectors. We are conducting focus groups across the country.

Hand out incentives and letter from AFPC.
### Appendix B: Handouts

#### Employer worksheet 1

**Things to consider in setting pay rates for your business**

<table>
<thead>
<tr>
<th>age of employee</th>
<th>person’s flexibility to work</th>
<th>skills of the person</th>
<th>provision of on-the-job training</th>
<th>market rates for your sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>their employability</td>
<td>their experience</td>
<td>length of service</td>
<td>person’s attitude</td>
<td>cost and availability of childcare to assist ability of people to be employed</td>
</tr>
<tr>
<td>cost of living</td>
<td>scarcity of skills</td>
<td>what other businesses pay</td>
<td>demand for the person’s skill set</td>
<td>person’s seniority</td>
</tr>
<tr>
<td>comparison with receiving government benefits</td>
<td>person’s long-term prospects</td>
<td>your concern about cost of working (travel, petrol etc)</td>
<td>your view on what is fair and reasonable</td>
<td>price of housing in your area</td>
</tr>
<tr>
<td>how many applicants for the job</td>
<td>their qualifications</td>
<td>what the business can afford</td>
<td>person’s education level</td>
<td>person’s improvement in skills</td>
</tr>
<tr>
<td>life experience of employee</td>
<td>level of their commitment</td>
<td>person’s value to the business</td>
<td>what the law says</td>
<td>recognition and respect for others</td>
</tr>
<tr>
<td>integrity / responsibility of employee</td>
<td>their practical life (non-job specific) skills</td>
<td>their ability to adapt quickly</td>
<td>person’s people / relational skills</td>
<td>impact on social / community harmony</td>
</tr>
<tr>
<td>your concern about gap between the ‘haves’ and ‘have nots’</td>
<td>market rates for your local economy</td>
<td>Other (please specify):</td>
<td>Other (please specify):</td>
<td>Other (please specify):</td>
</tr>
</tbody>
</table>

#### Employee worksheet 1

**Your views on things to consider in setting pay rates**

<table>
<thead>
<tr>
<th>person’s age</th>
<th>person’s flexibility to work</th>
<th>work skills of the person</th>
<th>person’s involvement in on-the-job training</th>
<th>market rates for the sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>their employability</td>
<td>their experience</td>
<td>their length of service</td>
<td>their ‘attitude’</td>
<td>cost and availability of childcare</td>
</tr>
<tr>
<td>cost of living</td>
<td>scarcity of skills needed</td>
<td>what other businesses pay</td>
<td>level of demand for the person’s skill set</td>
<td>seniority</td>
</tr>
<tr>
<td>comparison with receiving government benefits</td>
<td>long term prospects</td>
<td>cost of working (travel, petrol etc)</td>
<td>what is fair and reasonable</td>
<td>price of housing in the area</td>
</tr>
<tr>
<td>how many applicants for the job</td>
<td>person’s qualifications</td>
<td>what the business can afford</td>
<td>person’s education</td>
<td>person’s improvement in skills</td>
</tr>
<tr>
<td>person’s life experience</td>
<td>person’s level of commitment</td>
<td>person’s value to the business</td>
<td>what the law says</td>
<td>recognition and respect for others</td>
</tr>
<tr>
<td>person’s integrity / responsibility</td>
<td>their practical life skills</td>
<td>their ability to adapt quickly</td>
<td>person’s people / relational skills</td>
<td>impact on social / community harmony</td>
</tr>
<tr>
<td>closing the gap between the ‘haves’ and ‘have nots’</td>
<td>Other (please specify):</td>
<td>Other (please specify):</td>
<td>Other (please specify):</td>
<td>Other (please specify):</td>
</tr>
</tbody>
</table>
### Employer worksheet 2

Potential changes to your business operations as a result of increased labour costs (via increases to pay rates)

<table>
<thead>
<tr>
<th>Potential changes implemented</th>
<th>If applies, mark X</th>
<th>Can you provide brief details of the change?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changed operating (opening) hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce overall staff numbers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce the number of staff per shift</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in staff classifications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substitute between different types of employees or machinery/automation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apply junior rates of pay for staff under 21 years of age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce staff hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce overtime, rates with penalties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I will personally work an increased number of hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiring freeze will occur</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversify business operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change / reduce service delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Used cheaper components, ingredients or other inputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire new staff at lower pay grades</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase or prioritise training of existing staff to increase productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase or prioritise training of existing staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease training of existing staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire more experienced workers to increase productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Something else (please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Employee profile

(Note: Your information will be treated in strict confidence)
Please circle your answer

Q1. a) How old are you? ________ years

Q1. b) And are you …

Male   Female

Q2. What type of work do you do? Please specify: ________________________________

Q3. What is your job title or occupation? ________________________________

Q4. How many hours do you typically work per week: ________ hours

Q5. How much do you earn usually: per hour: $ ________
(Your best estimate will be sufficient) or per week: $ ________

Q6. a) Do you receive penalty rates, bonuses or tips? (circle one)

Yes   No   Unsure

Q6. b) If ‘Yes’ in Q6.a), how much would you usually earn from:
(Please circle what you receive)

Penalty rates  Bonuses  Tips?

per week: $ ________
or per month: $ ________

Q7. Do you receive any non-cash benefits (e.g. meals) from your employer?

Yes   No

Q8. Please finish this sentence: ‘I work because …’: ______________________________

________________________________________

________________________________________

Q9. Do you consider your current employment a ‘job’ or a ‘career’?

Job   Career

Please explain this response: ________________________________________________

________________________________________

Q10. Would you say that your current income dictates your lifestyle, or does your lifestyle currently dictate your income?

Income   Lifestyle

Please explain this response: ________________________________________________

________________________________________
Employer profile

(Note: Your information will be treated in strict confidence)
Please circle your answer

Q1. What’s your role in the business?  
   Owner  Manager  HR Manager  
   Other (please specify): ____________________________________________

Q2. If you are the owner, did you establish the business or take over from 
   previous owner?  
   Established the business  Took over the business

Q3. How long has the business been in operation?  
   ________ years ________ months

Q4. What was the approximate turnover of your business 3 YEARS AGO  
   (if applicable)?  
   $ ______

Q5. What was the approximate turnover of the business LAST YEAR?  
   $ ______

Q6. Do you expect the business’s turnover to decrease, remain the same or 
   increase THIS YEAR?  
   Decrease  Remain the same  Increase

Q7. What was the approximate PROFIT level of your business LAST YEAR?  
   ________ % or $ ________ increase

Q8. Do you expect your PROFIT to decrease, remain the same or increase THIS 
   YEAR?  
   Decrease  Remain the same  Increase  
   Other (please specify): ____________________________________________

Q9. How many PERMANENT members of staff do you employ?  
   Number: ________

   How many TEMPORARY members of staff do you employ?  
   Number: ________

Q10. Your workforce profile. State the number of employees who are:  
    Full-time: ________ Part-time: ________ Casual: ________ Juniors: ________  
    Trainees/Apprentices: ________ Employees with a disability: ________

Q11. Thinking about the TOTAL COST your business faces THIS YEAR,  
    approximately what percentage of costs are:  
    Your best estimate will be sufficient  
    Labour-related costs: ______ %  
    Wages and salaries (including superannuation contributions): ______ %  
    Purchases: ______ %  
    Rent leasing and hiring, utilities, insurance, repairs, maintenance: ______ %  
    Other costs, specify any of note: ______ %  
    TOTAL ______ %